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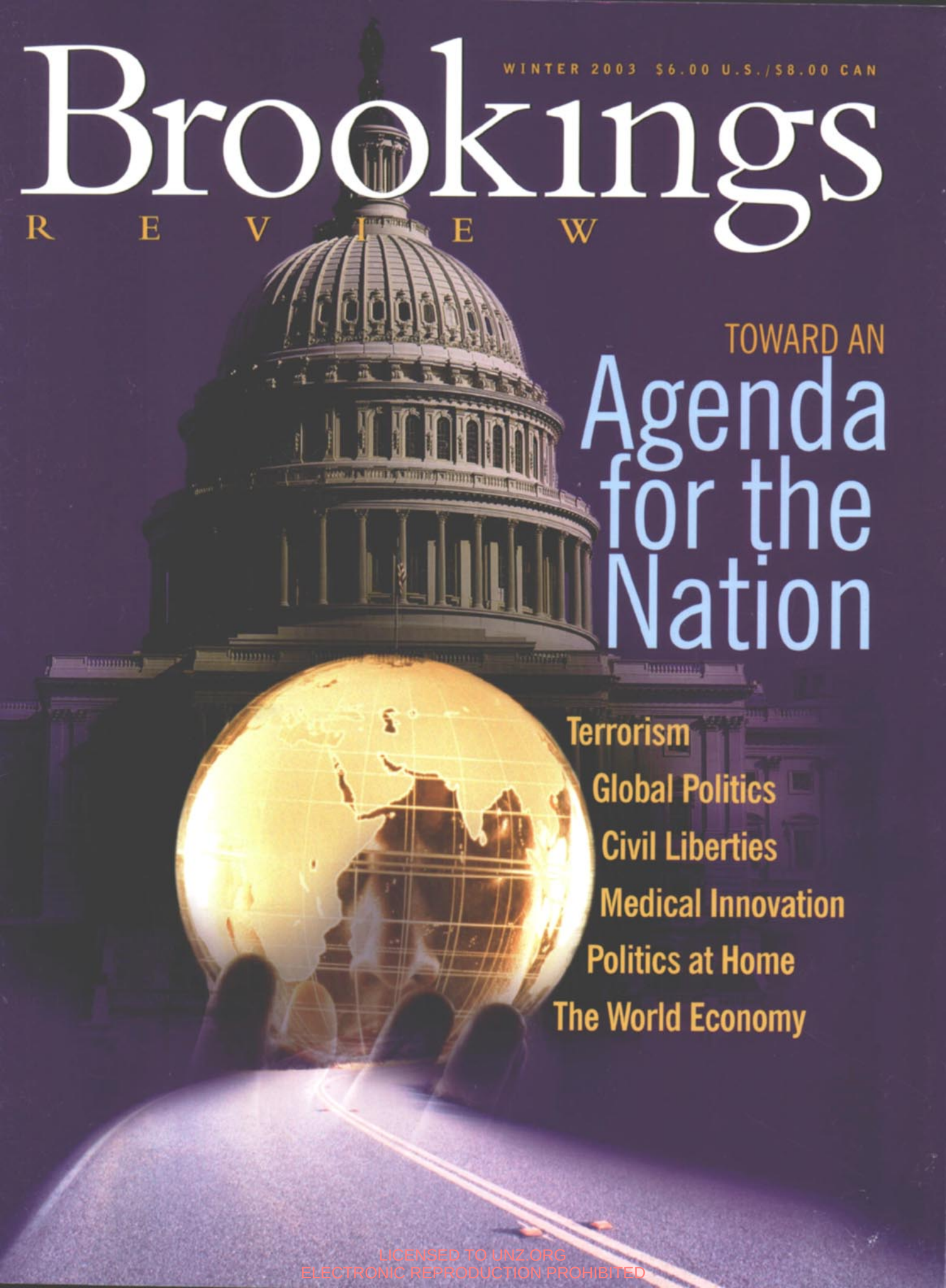

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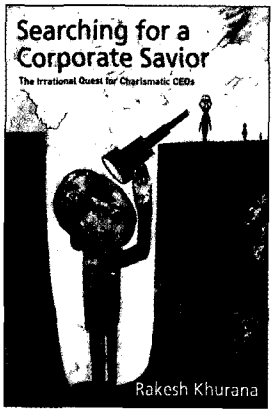

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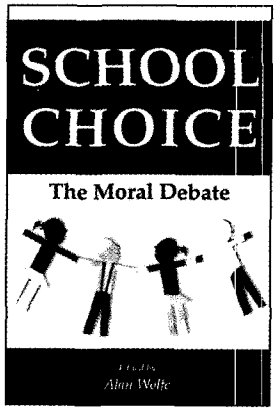

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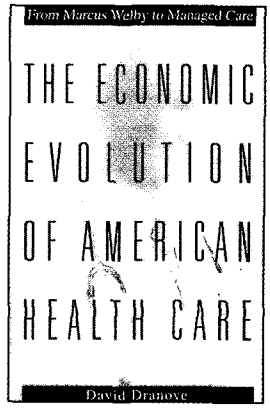

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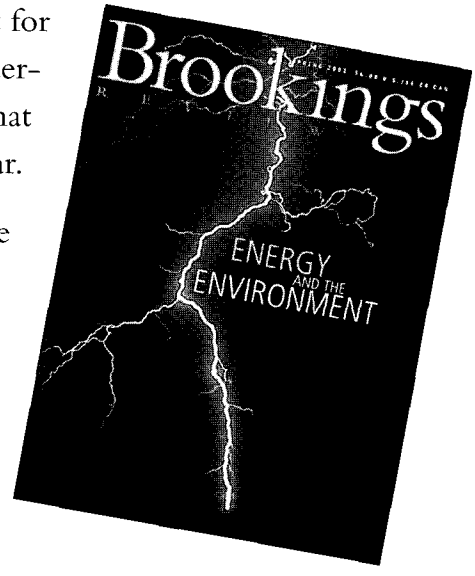

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EDITOR
Brenda Szittya

GUEST EDITORS
Pietro S. Nivola, Henry J. Aaron, and James M. Lindsay

PRODUCTION MANAGER
Lawrence Converse

MARKETING
Rebecca Clark

ADVERTISING
Christopher O'Brien
(202) 797-6428

CIRCULATION
Ann M. McDuffie,
Puja Telikicherla

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Toward an Agenda

By Pietro S. Nivola, Henry J. Aaron, and James M. Lindsay

The reality shock of September 11, 2001, reminded Americans that the federal government's first order of business is to protect the nation from its enemies. Keeping a steady focus on that primary obligation had often proved difficult in recent years, as national politics dragged an ever-expanding governmental agenda in many other directions. The United States today, as after Pearl Harbor, is having to straighten out its priorities. And that means mustering the resources and determination to confront grave threats to our citizens and civilization.

But while Washington is facing up to this bedrock responsibility, plenty of additional challenges remain. For one thing, honest men and women can differ about how best to advance U.S. security interests in today's treacherous international environment. Meeting the interrelated threats of tyrannical states and stateless terrorists, not to mention a host of other destabilizing global forces, will require an ingenious mix of strategies and tactics. Exactly what the mix must be is a question much debated. For another thing, although domestic issues of secondary or tertiary importance can be given a welcome rest under the circumstances, several policy debates pertaining to the home front still need to be joined, and presumably resolved, sooner rather than later. How these questions are addressed will reflect on the character, the values, and the moral footing of our society.

With these considerations in mind, the Brookings Press will be releasing this spring a collection of essays called *Agenda for the Nation*. A volume by that title was first published here a generation ago, when the nation confronted racial tensions at home and an increasingly unpopular war abroad. With America at another historic crossroads, now is a suitable time to map and explore paths that national public policy should take in the years ahead. This issue of the *Brookings Review* previews the book. A small sample of its contents, each essay greatly abridged, follows. Some of these essays are short on prescription. Readers are invited to stay tuned for the unabridged versions in the forthcoming book, which will not only analyze problems but offer solutions.

The first article, by Pietro Nivola, provides an overview of American politics before and after September 11. It inquires how deeply and durably U.S. political institutions have been sobered since that fateful morning. Clearly, momentous decisions regarding foreign affairs and the national defense have taken precedence during the past year. Although, in this context, the deliberations of government have become more serious, Nivola wonders whether this heartening change will endure over the long haul without broader adjustments in our political process than those to date—adjustments he sets forth in *Agenda for the Nation*.

Next, Ivo Daalder and James Lindsay take on the tall order of how to recalibrate American foreign policy. They stress that the "sustainability of American power ultimately depends on the extent to which others believe it is employed not just in U.S. interests but in their interests as well." The authors see much of the foreign policy debate in the United States as a dialectic between two camps. On one side are so-called Americanists, who give primacy to the pursuit of U.S. interests and who contend that the United States can, and often should, "go it alone." On the other side are "Globalists," who are uncomfortable with U.S. unilateralism. Who's right? Both have merit, according to Daalder and Lindsay. To see why, read on.

Pietro S. Nivola, Henry J. Aaron, and James M. Lindsay are senior fellows in, respectively, the Brookings Governance Studies program, Economic Studies program, and Foreign Policy Studies program. They are co-editors of Agenda for the Nation *(forthcoming from Brookings).*

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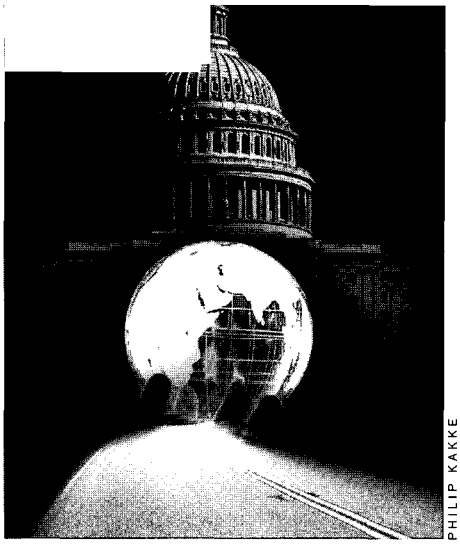
Of the numerous worldwide feats Americans are striving to perform, none is more pressing—and perhaps also more intractable—than vanquishing global terrorism. A distinctive and daunting characteristic of terrorist movements like al-Qaida, explains Steven Simon in his fascinating account, is their religious motivation and zeal. The messianic element means that much conventional wisdom about how best to moderate extreme Islamic militancy may be wishful thinking. Addressing such supposed "root causes" as economic stagnation, failing infrastructures, and environmental degradation in various Muslim societies seems unlikely to quell the "jihadists." Against these deadly fanatics, a diverse, but not soft, set of instruments will be required.

Among them, arguably, is a better balance between deference to civil liberties and the imperatives of homeland security. Stuart Taylor weighs in on this difficult subject. While remaining mindful of the fragility of constitutional protections, policymakers would do well to recall Justice Robert H. Jackson's famous plea for "a little practical wisdom" in interpreting the Bill of Rights, lest we risk making it "a suicide pact."



PHILIP KAKKE

There is more than a little practical wisdom in Taylor's refreshing thoughts on the roles of rights and responsibilities when waging a war on terrorism.

The link between economic development and counterterrorism is far from clear, argue Lael Brainard and Robert Litan in this magazine's fifth article. Nevertheless, American efforts to raise living standards around the world are essential. Not only do such efforts serve a humanitarian purpose that is worth pursuing as an end in itself; they may also build good will. Aware of these payoffs, President Bush has pledged significant increases in bilateral development assistance. And thanks to a long-awaited renewal of trade promotion authority, the administration is now in a stronger position to negotiate further welfare-enhancing commercial agreements among nations. Brainard and Litan applaud these promising steps, but also urge that they be carried out fully and boldly and stress that other measures—ranging from improvements in financial markets to reform of corporate governance—are needed to stimulate both the global and the U.S. economies.

While international issues prevail in the following articles, domestic challenges constitute more of *Agenda for the Nation*. Contemporary American society confronts internal challenges with implications so far-reaching they deserve undivided attention here and now. Not the least of these is how to ensure, first, that the limitless potential of modern medical science is realized and, second, that it is made available fairly and affordably to all Americans. In the final two articles, the first of which does not appear in *Agenda for the Nation*, William Haseltine, a leading scientist, biomedical entrepreneur, and Brookings trustee, and Victor Fuchs and Alan Garber address these questions. ■

Agenda for the Nation

Agenda for the Nation will include not only fuller versions of the articles in these pages but also essays that address other problems.

America's strength depends fundamentally on its enormous economic power. Bradford deLong, Claudia Goldin, and Lawrence Katz explain why maintaining economic growth is going to be increasingly difficult, and suggest policies to counter unfavorable demographic trends.

Gary Burtless and Christopher Jencks examine trends in the distribution of income—inequality has been increasing—and whether the effects are harmful. The evidence is decidedly mixed.

Howard Gruenspecht and Paul Portney describe the confused organization of the federal governmental agencies responsible for setting energy and environmental policy and set forth reforms to improve coordination of action in these two closely related fields.

James Lindsay and Audrey Singer trace the evolution of the United States as one of the most diverse nations on earth—a collection of the world's races, ethnic groups, and religions. With diversity the source of both dynamism and tension, how the nation maintains the former while controlling the latter will test the quality of its society.

Michael O'Hanlon examines the size and composition of U.S. military forces. While many observers call for large expansions or contractions, O'Hanlon explains why neither would be prudent and how key modifications can save money and increase U.S. deterrent capabilities.

The federal budget is the forum within which competing demands on limited resources are resolved. The budget is in some disarray—burdened by large but understated deficits. Rather than present choices clearly, the budget now obscures them. William Gale and Peter Orszag explain the problems and how to improve the budget so that it facilitates rational public debate.

In another essay, Gale and Orszag examine flaws in the U.S. pension system, one of the great achievements of mid–20th-century America. Although the pension system has made dignity in retirement a reality or a realistic prospect for many Americans, it is also an unfulfilled promise for many. Structural problems threaten its viability for all. Orszag and Gale evaluate agendas for reform.

James Q. Wilson discusses the evolution of U.S. governmental institutions over the past 35 years. His essay has implications for today's agenda setters as they seek to advance new policy projects.

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September 11 Challenges Washington to Return to Its Core Responsibilities

Can the Government Be

By Pietro S. Nivola

What had Washington been like in the years immediately preceding September 11? As even an amnesiac will surely recall, the American capital at the end of the second millennium, like Rome at the start of the first, was consumed with palace intrigue, scandals, and arcane legal inquests. The fascination with scandals and investigations, however, had become but one manifestation of a larger change in the nation's public life: call it the descent to low politics. Increasingly, the national government during the late decades of the 20th century had digressed into concerns that carried it far afield from its core responsibilities.

Pietro S. Nivola, a senior fellow in the Brookings Governance Studies program, is the author of Tense Commandments: Federal Prescriptions and City Problems *(Brookings, 2002).*

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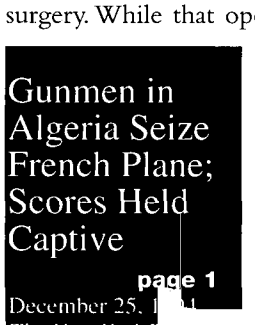
In earlier years, foreign policy had greatly preoccupied presidents and congressional leaders. Politicians were never oblivious to the details of domestic policy, of course, but these did not overrun the national agenda. Indeed, when John F. Kennedy became president in 1961, his inaugural address had contained exactly two words about domestic imperatives. (One sentence in his speech, about tyranny abroad, ended with a pledge to be "unwilling to witness or permit the slow undoing of those human rights to which this nation had always been committed, and to which we are committed *at home* and round the world.") But in President Bill Clinton's state of the union address in February 1997, the emphasis was heavily on the home front. Clinton ruminated on such subjects as the enforcement of truancy laws, the advantages of school uniforms, the math tests of eighth graders, the availability of medical insurance to cover mammograms, the appropriate hospital stay for women after a mastectomy, the utility of flex-time for employees, the revitalization of community waterfronts, and so forth.

This taste for appropriating the routine work of governors, mayors, hospital administrators, or school boards was strong during the Clinton years, but it had been building before. As East-West tensions subsided through the 1980s, and the outside world was perceived (or, rather, misperceived) to be far less threatening, the temptation in Washington grew to retreat from entanglements overseas and take up internal particulars, many of which could seem decidedly diminutive by comparison. Players from both political parties and at both ends of Pennsylvania Avenue succumbed.

On Ronald Reagan's watch and that of his successor, the federal government got into the business of determining the minimum drinking age for motorists, setting the licensing standards for bus and truck drivers, overseeing spillages from thousands of city storm sewers, requiring asbestos inspections in classrooms, enforcing child support payments, replacing water coolers in local school buildings, ordering sidewalk ramps on city streets, purifying municipal water supplies, regulating where passengers should stand when riding city buses, and much more.

Puttering at Home

The inward impulse of national politics may have seemed especially conspicuous during the Clinton presidency, marked most notably during its first term by detachment or vacillation in the face of troubles overseas. Following a brief and shallow recession, the Clintonites had come to Washington in 1993 convinced that large parts of the U.S. economy needed radical surgery. While that operation was going on, unsettling events abroad were put on hold. The Clinton administration's approach toward a festering crisis in the Balkans was illustrative (at least until the magnitude of Serbian atrocities belatedly stirred the North Atlantic Treaty Organization to intervene). A late–20th-century reprise of ethnic cleansing and national dismemberment on the doorstep of Europe was relegated to the margins of the administration's concerns during its first two years.


Gunmen in Algeria Seize French Plane; Scores Held Captive

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December 25, 1[illegible]

The New York T[illegible]

The disengaged attitude toward the bloodbath in Bosnia seemed out of step with America's customary leadership role across the Atlantic and would eventually prove unsustainable. While it lasted, though, Clinton's stance was not altogether at odds with that of his predecessor. The Balkan disaster had been brewing for years. George Bush senior had marginalized it as well.

In fact, in the years bracketing the end of the Gulf War in 1991 to the onset of the war against terrorism in 2001, it could not be said that Republican administrations, presidential candidates, or congressional leaders were busier than their Democratic rivals fathoming America's global challenges. Some voices on the hard Right were making louder isolationist noises; others seemed more vocal about symbols than substance in U.S. international relations—our dues assessment at the United Nations, the admissibility of family planning in foreign aid programs, and the like. At least in its second term the Clinton administration had begun to face more squarely the realities that demanded attention from the world's only superpower. Officials grew alarmed as terrorist incidents increased. The administration eventually reacted forcefully when Slobodan Milosevic unleashed his ethnic cleansers on Kosovo. Clinton also strove to broker (albeit ineffectually) a comprehensive settlement of the Israeli-Palestinian conflict.

But the holiday from foreign affairs was not quite over. During the 2000 presidential campaign, Vice President Al Gore scarcely mentioned that America and the world were imperiled by terrorists, and neither did George W. Bush. In their book, *The Age of Sacred Terror*, Daniel Benjamin and Steven Simon describe the bureaucratic inertia that hobbled U.S. efforts to mobilize against al-Qaida during the Clinton years. The trouble continued well into the summer of 2001. Prescient warnings of possible terrorist operations on American soil generated at lower echelons of the Federal Bureau of Investigation and the Central Intelligence Agency languished in administrative and legalistic labyrinths. On the morning of September 11, word reached President Bush that a commercial airliner had slammed into the World Trade Center while he was sitting in on a second-grade class in Sarasota, Florida.

The Toll of Trivial Pursuits

A government absorbed in the minutiae of myriad domestic undertakings might have difficulty organizing itself to discharge other basic duties—including a timely and judicious allocation of resources to combat international terrorism.

Federal antiterrorism spending had grown to almost $10 billion by 2001, but it was spread chaotically across a bewildering maze of agencies and programs, often reflecting a series of uncoordinated legislative earmarks. Tossing funds hither and yon with no coherent strategy meant that dollars would hit or miss vital aspects of "preparedness." The Department of Justice, for example, wound up with just $15 million to train police officers, firefighters, and rescue squads how to respond in an emergency. Unsurprisingly, in three years the department man-

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aged to train only a small fraction of these first responders.

Meanwhile, the FBI needed a computer system to enhance the ability of its field offices to share information collected by agents. Congress did not get around to paying for that essentiality until late in 2000—too late to be of much help a few months later. Similarly, the Immigration and Naturalization Service had been unable to buy and install, before September 11, computers to keep track of foreign visitors on student visas. This necessary instrument would not become operational until 2003. The U.S. Coast Guard, whose aging boats had to run after everything from marijuana smugglers to distressed private yachts, scrambled to protect the nation's most vulnerable places—its seaports. Examples of neglect or disarray abounded. Whatever the many plausible explanations, one was simply that amid all their diversions, policymakers could not readily "focus like a laser" on the central task at hand.

Some of the political activities that diverted energy in the wrong directions, moreover, left various agencies shorthanded. The more things the federal bureaucracy was asked to do, the more slots it would need to fill—so many, in fact, that some would remain unfilled. In addition, nominees for appointed positions faced an increasingly grueling review process. It had become common for a new administration to spend its first year with vacancy rates of more than 50 percent in posts that required Senate confirmation and to tolerate as much as 30 percent thereafter.

By the late 1980s, many a capable citizen was likely to think twice before pursuing almost any high-ranking government job. For many, the path to public service was too politicized and hazardous. More than a few officials found themselves in the crosshairs of independent counsels, ever on the prowl for traces of impropriety. In 1971 some 100 public officials were indicted for wrongdoing in the United States. Twenty years later the number of indictments exceeded 1,400. It strains credulity to suppose that the nation's public servants were 14 times more malfeasant in 1991 than they had been in 1971. No matter; the purge, often hyping relatively minor misdeeds, maintained a feverish pitch through most of the 1990s.

So it was that in the 1990s the nation's safety would be entrusted to a distracted government, spreading itself thin while often failing to replenish its ranks expeditiously.

Peace Dividend?

What accounted for the introspective politics of the 1990s? The end of the Cold War was one factor. With the collapse of the Soviet Union, gone was the great external threat that had compelled and defined U.S. internationalism for nearly half a century and that had simplified priorities accordingly. Now, presumably, Americans could afford to fuss over internal imperfections (real or exaggerated).

Yet the notion that the nation was finally at peace, and now could indulge in political luxuries long deferred, should not be overstated. The post–Cold War world, as any responsible decisionmaker in Washington knew, was not benign. China, an emerging industrial powerhouse, showed few signs of relaxing its repressive regime. Trouble-making tyrants ruled Iraq, Iran, Syria, Libya, and North Korea. Russia retained a huge and insecure stockpile of nuclear weapons. India and Pakistan were headed for a nuclear arms race. The Middle East remained a tinder box. Millions died in Africa's tribal massacres. A genocidal Balkan war had by mid-1995 shredded the credibility of the United Nations. And there was more.

Clinton Concedes Marital 'Wrongdoing'; In TV Interview, Presidental Hopeful Asks Public to Drop Questions

page 1

January 27, 1992

The Washington Post

America declared war on terrorism in the fall of 2001, but terrorists had gone to war against America long before that. They had murdered U.S. ambassadors to Sudan, Lebanon, and Afghanistan in the 1970s. In 1979, 52 U.S. citizens were taken hostage at the American embassy in Tehran and held captive for 444 days. That year Islamic radicals also rioted in Pakistan and set fire to the U.S. embassy in Islamabad. In 1983 the American embassy in Beirut was blasted by a suicide car bombing that blew up 63 people, including 17 Americans. Six months later, terrorists drove a van filled with explosives into the U.S. military barracks at the Beirut airport and killed 241 marines. In 1985 the passengers of a hijacked TWA jetliner were held hostage in Lebanon, and a disabled U.S. citizen aboard the Mediterranean cruise ship *Achille Lauro* was thrown into the sea by Palestinian "freedom fighters." One month later simultaneous suicide attacks were carried out at the check-in desks of Israeli and American airlines in the international airports of Rome and Vienna. In 1986 the bombing of a Berlin discotheque, in which 44 Americans were wounded and one killed, was linked to Muammar Qaddafi's operatives. President Reagan ordered U.S. Air Force F-111s to retaliate against Libyan installations. The Libyans then planned the destruction of Pan Am Flight 103 over Scotland in 1988.

More action loomed in the 1990s, with Americans very much in the line of fire—first at the World Trade Center (bombed by jihadists in 1993), next at an Air Force base in Saudi Arabia in 1996, then at the U.S. embassies in Kenya and Tanzania, and in October 2000 on the USS *Cole* in Yemen. A plot to blow up the Lincoln and Holland tunnels was thwarted in 1993. So were plans to bring down 11 American airliners in Asia two years later and to wreck the Los Angeles International Airport at around the time of the millennium celebration. Well into his second term, President Clinton spoke of placing "the fight against terrorism at the top of our agenda."

The "top of our agenda," however, was a crowded place. A lot of other issues, no matter how picayune, jockeyed for position there. Thus episodes of terror (and close calls) would come and go, and soon afterwards the political process would detour to the domestic topic *du jour*. This propensity did not just take hold because Americans were out of danger as the Cold War receded. It persisted while danger grew.

The Public

Up to a point, the subjects that captivated U.S. politics in the late 20th century comported with the public's frame of mind.

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Ordinarily, public opinion pays less heed to world affairs than to events closer to home. For all the visible signs of new perils abroad, people's perception of them was not so keen as to outweigh more proximate cares. Hence, in the early 1990s pocketbook worries, health care concerns, and anxiety about crime gained salience.

Nonetheless, the way some of the domestic issues were blown out of proportion often bore no close connection to public preferences. Polls signaled considerable unease with the state of the economy in 1992, but even by the most permissive standards of political oratory the Clinton campaign's depiction of U.S. economic frailty—"the worst economic performance since the Great Depression"—went overboard. The idea that the nation's health care system needed a complete overhaul also was flogged further than the public was comfortable with. By the spring of 1994, almost one in three Americans regarded violent crime as the main predicament facing the country. How much this opinion called for the wholesale federalization of local criminal codes that was legislated that year, however, remained far from obvious.

Some disputes that dominated the national conversation during the decade seemed distinctly out of touch with public opinion. A case in point was the growing political preoccupation with official misconduct—culminating with the dogged attempt to remove Clinton from office. In December 1998, after a year-long sex scandal, the House of Representatives voted to impeach the president. National polls consistently showed the public opposed to impeachment and conviction, typically by margins of two to one.

Partisan Polemics

Intensifying the force of inside-the-Beltway feuds, including ones that most ordinary voters found overblown, was the heightened contentiousness of partisan politics. Differences between the parties had widened. Party solidarity and distinctiveness had increased as the Republicans gradually captured from the Democrats their conservative southern base and as districts for the House of Representatives were redrawn to minimize geographic commingling of the parties' respective constituencies. Also, while fewer incumbents in Congress were ousted in general elections, more members now worried about the possibility of having to defend their seats in primary elections. The upshot was a marked decline in the percentage of centrists—that is, members who were comfortable crossing party lines on selective issues.

The polarizing effect of redistricting has been profound. In the first 15 House elections following World War II, one party or the other gained an average of 29 seats. In the past 14 elections the average switch has been 13 seats. Increasingly sophisticated computer software permits political cartographers to map the spatial distribution of registered voters according to their partisan voting preferences. With more precision than ever, districts would be gerrymandered to tilt reliably to one party or the other. Marginal districts, where candidates would have to appeal to voters from both parties, became relatively few.

A Maimed Destroyer Cole Starts for Home
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October 30, 200
The New York

Primaries, now a dominant institution in both parties, have further separated them. In a simple two-party electoral system, candidates competing for single-member districts naturally tend to gravitate toward the center of the political spectrum. Primaries, however, do not encourage this convergence. Their electorates tend to be small and unrepresentative of mainstream voters. Hence, candidates in primaries often move away from the center to appeal to their small but active factions.

The threat of actual or potential primary challenges from the Right may well have been among the decisive forms of leverage that the GOP's base exercised to harden the party line on questions such as the Lewinsky affair. Among the Democrats, similar pressure, though emanating from the opposite extreme, probably helped explain their own nearly unanimous position on symbols of significance to that party's activists—litmus tests like opposing impeachment, for example, or raising the minimum wage.

The latter, in fact, became almost as much an *idée fixe* for the Democrats as prosecuting Clinton was for the Republicans. It illustrated the lengths to which the Left would go to prevail on a matter of less-than-earthshaking importance. Never mind that the wages of low-end workers were already keeping pace with the rise of average wages amid the tight labor market of the second half of the 1990s; in 1996 the White House began campaigning to raise the minimum wage, knowing full well that the project was anathema to conservatives in the Republican-controlled Congress. The Democrats' strategy was to exploit Senate rules by offering the minimum-wage increase as an amendment to every piece of legislation that the majority leader, Robert Dole, brought to the floor. Lacking the votes to kill the wage proposal or impose cloture for legislation he wanted to pass, Dole pulled bill after bill off the floor, fueling news stories of congressional gridlock. Eventually, in the heat of an election year, the Republicans had to capitulate.

Squabbles like this in recent years appeared related to increased party polarization, but the extent or direction of causality (if any) was not self-evident. Parties cleaving to their extremes may engage more frequently in petty wrangles, but the wrangling may also be what drives the partisans further apart. Moreover, polarity and pettiness do not always co-exist. At times in American history, the deeper the philosophical rift between the political parties, and the greater their disciplined fidelity to principles, the more likely they were to debate serious national questions rather than narrow, expendable, or phony ones. That certainly was the case in the mid–19th century, when the nation struggled over slavery.

In sum, when Washington wallowed in "low politics" during the past decade, more than polarized parties was involved.

The Razor's Edge

As the 1990s wore on, the Democrats and Republicans contended closely for supremacy, as evinced by the narrowing margin between the parties in the House of Representatives. A

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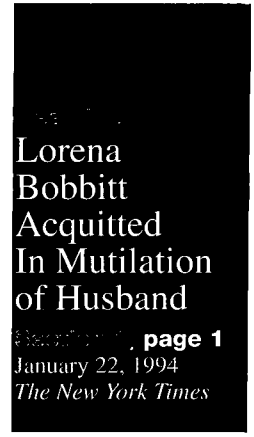
comfortable cushion of 71 seats for the Democrats in 1984 dwindled to a mere 12 seats for the Republicans by 2000. (The GOP added five to seven more House seats in the 2002 election, improving the party's margin ever so slightly.) In a competition where even the smallest political gain could tip the scales, neither side would pass up opportunities to score points—by whatever means available. Obstructionism was one, the aim being to deprive an opponent of perceptible successes. Thwarting or retarding the other side's policy initiatives (with veto threats, filibusters, and poison-pill amendments) became routine during some years, as did holding up appointments to executive and judicial offices. "Going public" with political postures in policy debates became common. This behavior frequently cornered or embarrassed the opposition, thereby precluding quiet negotiations often needed to bridge differences on complex problems. Routing out the presumed official miscreants (especially of the opposing party) was another tactic. So was continual trawling for potentially pivotal supporters and campaign contributors to energize.

Much of this political niche marketing was to vocal factions and advocacy groups, whose influence had been rising steadily over the past 30 years and who frequently regarded the laying on of federal hands as the answer to almost any community problem. Whatever the challenges facing localities in postmodern American society—stolen cars, teenage smoking, cable television access, domestic violence, drunken driving, impurities in drinking water—lobbies or movements existed to champion the cause and make it the national government's responsibility. The evenly divided partisan environment of the 1990s, with its relentless pressure to fill campaign coffers, made pandering to these claimants more tempting.

To be sure, control of Congress had been closely contested at other junctures in the past half-century. The Democrats lost enough seats in both houses in the election of 1950 to cut their lead over the Republicans to 36 in the House and 2 seats in the Senate. The balance in both chambers tipped, by razor-thin margins, to the Republicans two years later, and then again narrowly back to the Democrats in 1954. Yet the style of politics then was nothing like the one now.

Consider campaign spending. The total spent to elect the 83rd Congress in 1952 was $36.4 million (in current dollars). In the 2000 election, congressional candidates and their political parties disbursed a total of $1.4 billion (not including large sums of independent spending, called "issue advocacy," by outside groups). In 1952 one of the most expensive campaigns was for a Senate seat in New Jersey, where the opposing candidates together spent almost $410,000 (again, adjusted for inflation). In 2000 the Democratic candidate alone shelled out more than 150 times that much to win the same seat.

Contemporary campaigning has become, in Hugh Heclo's words, a permanent "immense industry for studying, manufacturing, organizing, and manipulating public voices in support of candidates and causes." The industry's lavish finances reflect the development of increasingly elaborate techniques of political salesmanship—televised advertising, continual polling, focus-group probing, direct-mail operations, "media buys," opposition research, and other devices designed to mold, massage, and mobilize possible sympathizers. Like corporations adept at tailoring finely differentiated products to segmented markets, office seekers (or their legions of professional managers) have the capacity to customize a sales pitch for every carefully targeted group or subgroup of presumptive clients.



And like the vending of a vast selection of detergents or deodorants on today's supermarket shelves, the new norms of the political marketplace mean that politicians' policy portfolios would be filled with narrowly gauged favors and frivolities, not just essentialities.

The Media Environment

No account of the modern political proclivity for turning government into a kind of overstocked domestic-issues mart would be complete without mention of the news media. Newscasts and newspapers filled the air with reports of localized misfortunes that supposedly merited extensive national scrutiny. Coverage of world events dwindled. By the mid-1990s the major TV networks were spending an average of six minutes a day on any news outside the United States.

For decades, television journalism had been informing mass opinion and often framing the terms of public discourse. By the closing years of the century, however, TV had become the principal source of information for most Americans—and the subjects of its imagery typically trumped all others. The world as depicted on TV news, observed James Fallows, consisted of "a strange equivalence of spectacles" where no one event—the smoldering hull of the USS *Cole*, the O. J. Simpson trial—was necessarily more important than another. With the day-to-day presentation of events large and small qualifying interchangeably for primetime, it became harder for many people to distinguish worthwhile objects of public affairs from trivial or transitory ones.

Getting Real

The political culture of the capital post–September 11 has not exhibited (so far) anything comparable to the nadirs of the preceding years.

The presidency of George W. Bush had started out with another round of emphasis on domestic initiatives—adjusting taxes, deepening federal involvement in local public education, planning to increase energy supplies, supporting community services provided by local churches. After September 11, these ventures were not forgotten, but they were overshadowed by the president's concerted steps against international terrorism and the outlaw states that could magnify the threat.

For the first time, al-Qaida's redoubts in Afghanistan felt the full force of U.S. military might. And America's muscular role on the world stage was not likely to stop there. The United States declared that it would strike, preemptively when necessary, at terrorist enemies and the regimes that backed them, and

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that it would actively promote "free and open societies on every continent." A president whose interest in foreign affairs had appeared limited during the 2000 election proved to be an assertive internationalist. With refreshing clarity and determination, he challenged the international community to confront the scourge of terrorism but also to cease appeasing the ever-treacherous regime in Iraq. But that was not all. His administration also soon signed with Russia a pact for steep cuts in nuclear arms, set sensible preconditions for the creation of a viable Palestinian state, favored impressive increases in U.S. foreign aid, and proposed to deploy large sums of money for the international battle with AIDS.

The administration's counterterrorism efforts informed its budgetary priorities and eventually led to a reasonably comprehensive proposal for a new cabinet department of homeland security. For its part, Congress proved more constructive than contrarian, at least at some important junctures—passing major legislation to secure the airports, renewing at long last the president's authority to negotiate international trade treaties, approving a resolution to force the disarmament of Iraq, and finally exercising more vigorous oversight over faltering intelligence and law enforcement agencies.

Popular attitudes also appeared to have shifted perceptibly. Public confidence in the federal government rose dramatically following September 11. It sagged again by the spring of 2002—but hardly all the way back to the lows of, say, mid-2001. Any appreciable overall rise in public trust of the government could grant policymakers more latitude to focus on antiterrorism, maybe even permitting them to shelve (for *raisons d'état*) a few unrelated policy demands.

A capacity to advance a coherent U.S. policy against global terror—one that takes a relatively consistent stand against the full range of messianic mass murderers, be they al-Qaida's, Baghdad's, or those of the Al Aqsa Martyrs Brigades—may have been buttressed over the past year by greater public attentiveness to international events. The share of people who reported following world news in the spring of 2002 was up from where it had been in 1998. Indeed, more than 60 percent followed important developments abroad. Today many more Americans (48 percent) can identify Yasser Arafat than can identify key U.S. cabinet secretaries. And polls last fall found that voters, for a change, were not assigning "the economy and jobs" a higher priority than "terrorism and national security."

EXPLOSION AT THE TWIN TOWERS: The Investigation; Bomb Is Definite Answer, But All Else Is Mystery

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February 28, 19

Shifts in news coverage played a part. After September 11, foreign relations and military matters upstaged the usual domestic sagas. Press reporting—principally by the *New York Times*, the *Wall Street Journal*, and the *Washington Post*—on the Afghan war, the al-Qaida network, and the government's lapses leading up to the day of reckoning became formidably broad and deep.

The political landscape since September 11 also has had its share of scandalous stories and ensuing investigations—but with a difference. The sensational news has not been about the personal indiscretions or forgettable missteps of this or that cabinet officer but about business fraud (Enron, WorldCom) on a scale so grand it was damaging U.S. financial markets and maybe even the rest of the economy. And the response to the recent wave of scandals—this time involving corporate corruption—has also been rather different. Congressional oversight has not merely pondered human-interest angles (such as the fate of Enron employees' pensions) but deliberated thoughtfully about market flaws that require structural correction.

Politics as Usual?

Differences in the dynamics of our politics after September 11 are discernible. Whether the transformation has been profound enough to place an enduring restraint on the pursuit of narrow political expediency and its trivializing effect on the federal government's purpose is another matter.

For all the redirection that President Bush has given the ship of state since Americans began taking the barbarities of terrorism seriously, his style has not always paralleled that of, let us say, Franklin D. Roosevelt after Pearl Harbor. When FDR described the state of the union on January 6, 1942, not a single domestic-policy aside made its way into his address. The nation was at war. "War costs money," the president explained. "That means taxes and bonds and bonds and taxes. It means cutting luxuries and other nonessentials." When Bush addressed the nation on January 29, 2002, his account of the state of the union began with the accomplishments and challenges of another war, but later added a shopping list—good schools, affordable energy, the child tax credit, a patients' bill of rights, coverage for prescription drugs, services by faith-based groups, new safeguards for 401(k) and pension plans.

The mixture of guns and butter was but one exhibition of domestic politicking unfazed by September 11. The administration acquiesced to a farm bill boosting subsidies to $180 billion over the next decade. Amid the unavoidable logrolling that distorts energy bills, much of the administration's proposed legislation predictably degenerated to an assortment of subventions for influential interest groups such as the ethanol lobby. Budget legislation, wending its way through the congressional sausage-maker, made room for many additional millions of dollars of spending for highways, schools, nursing homes, museums, fishing boats, and countless other earmarked blandishments.

The consummate political calibration of federal expenditures and regulations was sometimes all too reminiscent of years past. The Bush administration slapped a 30 percent tariff increase on imported steel and followed it with another round of punitive tariffs on Canadian lumber. Sensitive to domestic economic considerations and resistance from various business and labor interests, the administration did not bring to an environmental conundrum of possibly incalculable importance—global warming—the policy leadership it deserved.

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Some Explanations

New trade restrictions, protectionist crop supports, and defaults on climate-change policy may have seemed like myopic moves at a time when our allies were being asked to stand behind America's struggle against terrorists and ruthless despots worldwide. What explains the persistence of such parochial payoffs, some of which could further complicate an already ambitious agenda? "Shortsighted leadership"—the stock answer of pundits and polemicists—won't do. For surges of small-time politics are inevitable in any democracy, and some will continue in ours, especially amid a configuration of political constraints that the 2002 election modified but did not eliminate.

For one thing, while no problem outranks terrorism in the minds of most Americans today, pollsters also divine that voters want the president and Congress to devote more time to difficulties at home. How pronounced or meaningful these purported feelings really are is, in a way, beside the point. The constant electoral campaigns waged at the White House and the Capitol interpret the polling results as best approximations of the real world. Thus, six months past September 11 the president was advised to keep traveling around the country, burnishing his reputation as a "compassionate conservative" who would put Washington to work on local education, health care, economic distress, and other "Mommy issues." As for the congressional Democrats, their tack was to stress their customary prowess on such issues and try to put them at the center of the midterm election strategy.

These reflexes have much to do with the pitched battle for primacy between the political parties. For the first time in half a century, the Republicans now have attained (albeit tenuously) unified party control of the government. Yet, few predicted this outcome; in the weeks, days, and even hours leading up to last fall's election, most observers assumed that the scales could just as easily have tipped the other way. With control of the Senate hinging on the shift of a single seat, and with more than two-thirds of Senate elections in 2002 centered in the South and Midwest, it was not entirely surprising to see opportunistic farm legislation enacted last spring. With half a dozen seats separating majority from minority status in the House before last November 5, it was unsurprising that the White House would try to preempt the steel-import issue, thereby perhaps influencing a race or two.

And the fundraising demands on elective officeholders are undiminished. Sharp party competition intensifies the pressure, but so does the expense of self-perpetuating campaign organizations, with their throngs of professionals, overhangs of debt, and generally bloated overhead. In 2002 the combination of extraordinarily tight electoral rivalry in a handful of swing states and the permanent campaign's voracious financial appetite meant that politicians, from the president on down, had to dedicate extraordinary amounts of time to prospecting for votes and dollars in places like Florida. Bush made no fewer than 10 trips to that state during his first year and a half in office, answering locally popular concerns and passing the hat. In the two weeks before the election, the president set off on a dozen days of barnstorming in pivotal states and districts, even as he prepared for a possible war with Iraq.

True, September 11 subdued some of the worst partisan posturing, but because the parties frequently continue to be more responsive to their respective bases than to the general electorate, their old spats have not ended. In the 107th Congress, members resumed bickering over court nominees and appropriations bills (with liberals hoping to spend more on such supposed national necessities as the home-heating assistance program). Homeland security legislation hit an impasse; protections for civil servants in the new department became the question on which the Democrats and the White House dueled for months.

Staff: 'No Preconceptions' on Probe; New Whitewater Counsel Undecided on Reopening Parts of Inquiry
Section 1, page A1
August 7, 1994
The Washington Post

Serious Again—For the Long Haul?

America was caught off guard on the morning of September 11, 2001. Maybe nothing could have prevented the debacle. However stretched or uncoordinated were key federal agencies, officials at various levels had not been oblivious to the rise of terrorism, nor had recent Congresses starved the budget required to confront the problem. Certainly the U.S. armed forces proved prepared for the battle when it was finally joined.

Still, the nation could have become more vigilant over the preceding years if its politics had not aggravated in government a kind of attention deficit disorder. Too often Washington appeared more engrossed in rarified internal quarrels than alert to world events that were putting Americans in mortal danger. And even if it had never gone off on these tangents, the government was overextended. The federal bureaucracy was frequently being pressed to perform functions that arguably were, if not unnecessary, ancillary to its primary public obligations and that mostly could have been left to state and local entities.

Matters are not quite the same at present. Much as the prospect of being hanged (as Samuel Johnson noted) concentrates the mind, the body politic has taken notice of what September 11 signified. The mood of much of the American electorate, on edge but gritty, has strengthened the hand of President Bush and his ascendant Republican party. Deliberations about how to harden the country's defense of its citizens' lives and property are certainly less desultory and more focused now than they were during the self-indulging politics of the 1990s. Al-Qaida's sanctuaries in Afghanistan have been smashed. And soon, dangerous dictatorships in Iraq and North Korea may no longer be permitted to pursue their sinister ambitions with impunity. For the better part of a decade, world leaders had temporized over how to disable Saddam as he flouted a stack of UN Chapter 7 resolutions regarding "threats to the peace, breaches of the peace, or acts of aggression." Today an American president is meeting this menace head-on.

Developments like these signal that our political process has been sobered. Whether the welcome change will hold up over the long haul remains to be seen. ■

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The Globa of Politics

American Foreign Policy for a

By Ivo H. Daalder and James M. Lindsay

September 11 signaled the end of the age of geopolitics and the advent of a new age—the era of global politics. The challenge U.S. policymakers face today is to recognize that fundamental change in world politics and to use America's unrivaled military, economic, and political power to fashion an international environment conducive to its interests and values.

Ivo H. Daalder and James M. Lindsay are senior fellows in the Brookings Foreign Policy Studies program.

For much of the 20th century, geopolitics drove American foreign policy. Successive presidents sought to prevent any single country from dominating the centers of strategic power in Europe and Asia. To that end the United States fought two world wars and carried on its four-decade-long Cold War with the Soviet Union. The collapse of the Soviet empire ended the last serious challenge for territorial dominion over Eurasia. The primary goal of American foreign policy was achieved.

During the 1990s, American foreign policy focused on consolidating its success. Together with its European allies, the United States set out to create, for the first time in history, a peaceful, undivided, and democratic Europe. That effort is now all but complete. The European Union—which will encompass

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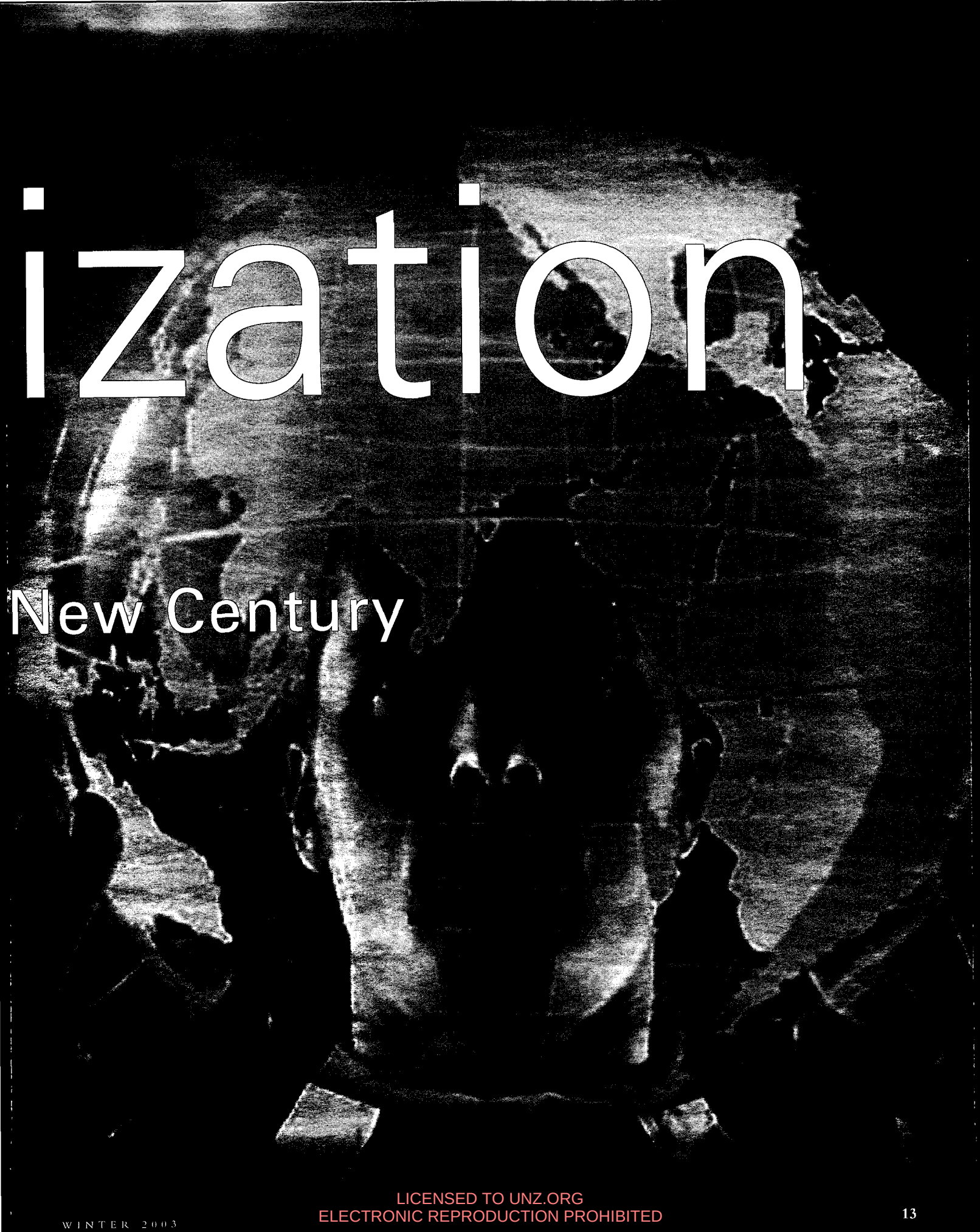

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most of Europe with the expected accession of 10 new members in 2004—has become the focal point for European policy on a wide range of issues. The North Atlantic Treaty Organization has evolved from a collective defense alliance into Europe's main security institution. A new relationship with Russia is being forged.

Progress has been slower, though still significant, in Asia. U.S. relations with its two key regional partners, Japan and South Korea, remain the foundation of regional stability. Democracy is taking root in South Korea, the Philippines, Indonesia, and Taiwan. U.S. engagement with China is slowly tying an economically surging Beijing into the global economy.

The success of American policy over the past decade means that no power—not Russia, not Germany, not a united Europe, and not China or Japan—today poses a hegemonic threat to Eurasia. In this new era, American foreign policy will no longer pivot on geography. Instead, it will be defined by the combination of America's unrivaled power in world affairs and the extensive and growing globalization of world politics.

The Sole Global Power

The United States is today the only truly global power. Its military reach—whether on land, at sea, or in the air—extends to every point on the globe. Its economic prowess fuels world trade and industry. Its political and cultural appeal—what Joseph Nye has called soft power—is so extensive that most international institutions reflect American interests. America's position in the world is unique—no other country in history has ever come close.

But is America's exalted position sustainable? Militarily, the vast gap between the United States and everyone else is growing. Whereas defense spending in most other countries is falling, U.S. defense spending is rising rapidly. This year's requested increase in defense spending is greater than the entire Chinese defense budget. Most remarkably, America can afford to spend more. Defense spending takes a smaller share of the U.S. gross domestic product than it did a decade ago—and even the Bush administration's projected increases will produce an overall budget equal to only about 3.5 percent of GDP, about half of Cold War highs. There is little prospect of any country or group of countries devoting the resources necessary to begin competing with the United States militarily, let alone surpassing it.

Economically, the United States may not widen its edge over its competitors, but neither is it likely to fall behind. The U.S. economy has proved itself at least as adept as its major competitors in realizing the productivity gains made possible by information technology. Europe and Japan face severe demographic challenges as their populations rapidly age, creating likely labor shortages and severe budgetary pressures. China is modernizing rapidly, and Russia may have turned the corner, but their economies today are comparable in output to those of Italy and Belgium—and they have yet to develop a political infrastructure that can support sustained economic growth.

In this new era, American foreign policy will be defined by the combination of America's unrivaled power in world affairs and the extensive and growing globalization of world politics.

Which brings us to the issue of how to transform this unquestioned power into influence. Unless employed deftly, America's military and economic superiority can breed resentment, even among its friends. A growing perception that Washington cares only about its own interests and is willing to use its muscle to get its way has fueled a worrisome gap between U.S. and European attitudes. European elites increasingly criticize the United States as being morally, socially, and culturally retrograde—especially in its perceived embrace of the death penalty, predatory capitalism, and fast food and mass entertainment. Europe has also begun to exercise diplomatic muscle in international institutions and other arenas, seeking to create new international regimes designed to limit America's recourse to its hard power.

The sustainability of American power ultimately depends on the extent to which others believe it is employed not just in U.S. interests but in their interests as well. Following its victory in World War II, the United States led the effort to create not only new security institutions, such as the United Nations and NATO, but also new regimes to promote economic recovery, development, and prosperity, such as the Marshall Plan, the Bretton Woods monetary system, and the General Agreement on Trade and Tariffs to promote free trade. These institutions and agreements preserved and extended American power—but in a way that benefited all who participated. The challenge for the United States is to do the same today.

Globalization

Globalization is not just an economic phenomenon, but a political, cultural, military, and environmental one as well. Nor is globalization new; networks of interdependence spanning continents were increasing rapidly in the decades before the First World War as the steam engine and the telegraph reduced the cost of transportation and information. What distinguishes globalization today is the speed and volume of cross-border contacts.

The prophets of globalization have trumpeted its benefits, particularly how the increased flow of goods, services, and capital across borders can boost economic activity and enhance prosperity. During the 1990s the more globalized economies grew an average

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of 5 percent a year, while the less globalized economies contracted by an average of 1 percent a year. The spread of ideas and information across the Internet and other global media has broadened cultural horizons and empowered people around the world to challenge autocratic rulers and advance the cause of human rights and democracy. Globalization can even lessen the chance of war. Fearing that war with Pakistan would disrupt its ties to U.S.-based multinationals, India's powerful electronic sector successfully pressed New Delhi in mid-2002 to de-escalate its conflict with Pakistan.

But globalization also brings terrible new perils. A handful of men from halfway across the globe can hijack four commercial airliners and slam them into key symbols of American power, killing thousands. A computer hacker in the Philippines can shut down the Internet and disrupt e-commerce thousands of miles away. Speculators can produce a run on the Thai currency, plunging Russia and Brazil into recession, robbing American exporters of markets, and costing American jobs. Greenhouse gases accumulating in the atmosphere in newly booming economies can raise global temperatures, possibly flooding coastal plains and turning mountain meadows into deserts.

Worse for the United States is that its power makes it a magnet for terrorism. As Richard Betts has argued, America's power "animates both the terrorists' purposes and their choice of tactics.... Political and cultural power makes the United States a target for those who blame it for their problems. At the same time, American economic and military power prevents them from resisting or retaliating against the United States on its own terms. To smite the only superpower requires unconventional modes of force and tactics [which] offer hope to the weak that they can work their will despite their overall deficit in power." Worse still, other weak countries might decide to buy their security by turning a blind eye to terrorist activities on their soil, thereby increasing the risk to the United States.

Americanists versus Globalists: The Utility of Power

Much of the foreign policy debate in the United States today revolves around assessments of the fundamental importance of American primacy and globalization. Americanists, so called because they emphasize American primacy, see a world in which the United States can use its predominant power to get its way, regardless of what others want. They believe the United States must summon the will to go it alone if necessary. Globalists emphasize globalization. They see a world that defies unilateral U.S. solutions and instead requires international cooperation. They warn against thinking that America can go it alone.

Americanists see two great virtues in America's primacy. First, it enables the United States to set its own foreign policy objectives and to achieve them without relying on others. The result is a preference for unilateral action, unbound by international agreements or institutions that would otherwise constrain America's ability to act. As Charles Krauthammer puts it, "An unprecedentedly dominant United States...is in the unique position of being able to fashion its own foreign policy. After a decade of Prometheus playing pygmy, the first task of the new [Bush] administration is precisely to reassert American freedom of action." The views, preferences, and interests of allies, friends, or anyone else should therefore have no influence on American action.

Second, because American power enables the United States to pursue its interests as it pleases, American foreign policy should seek to maintain, extend, and strengthen that relative position of power. As President Bush told graduating West Point cadets last June, "America has, and intends to keep, military strength beyond challenge, thereby making the destabilizing arms races of other eras pointless, and limiting rivalries to trade and other pursuits of peace." In other words, the United States can achieve its policy objectives best if it can prevent others from acquiring the power necessary to oppose it effectively when interests clash. It is as good a definition of what would constitute an American empire as one can get.

In contrast, Globalists stress how globalization both limits and transforms America's capacity to use its power to influence events overseas. At bottom, the challenges and opportunities created by the forces of globalization are not susceptible to America acting on its own. Combating the spread of infectious diseases, preventing the spread of weapons of mass destruction, defeating terrorism, securing access to open markets, protecting human rights, promoting democracy, and preserving the environment all require the cooperation of other countries. As British Prime Minister Tony Blair put it succinctly following the September 11 attacks, "We are all internationalists now."

But, Globalists argue, it is not simply that the nature of the issues arising from globalization limits the reach of American power and compels international cooperation. Globalization transforms the nature of power itself. No one has grappled with this problem more thoughtfully than Joseph Nye in his latest book, *The Paradox of American Power*. As Nye explains, "Power today is distributed among countries in a pattern that resembles a complex three-dimensional chess game." One dimension is military power, where the United States enjoys an unrivaled advantage, and the power distribution is therefore unipolar. The second dimension is economic, where power among the United States, Europe, and Japan is distributed more equally. The third dimension is transnational relations, where power is widely dispersed and essentially beyond government control. This is the realm of nonstate actors—from multinational companies and money managers to terrorist organizations and crime syndicates to nongovernmental organizations and the international media. "Those who recommend a hegemonic [or power-based] American foreign policy," Nye concludes, "are relying on woefully inadequate analysis. When you are in a three-dimensional game, you will lose if you focus on the interstate military board and fail to notice the other boards and the vertical connections among them."

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Who Is Right?

Both Americanists and Globalists are right in important ways. Take the Americanists first. Despite globalization, power remains the coin of the realm in international politics. Five decades of concerted U.S. and allied efforts may have transformed Europe into a Kantian zone of perpetual peace where the rule of law has triumphed, but in much of the rest of the world military might continues to hold sway. True, no country, not even China, poses the geostrategic threat to the United States that first Germany and then the Soviet Union did in the previous century. Still, lesser-order threats abound, from Pyongyang to Teheran to Baghdad, and U.S. military and economic power will be needed to contain, if not extinguish, them. More broadly, the rule of law demands more than simply codifying rules of behavior. It also requires the willingness and ability to enforce them. But that requirement, as Mancur Olson demonstrated years ago, runs into a fundamental collective-action problem—if the potential costs of action are great and the benefits widely shared, few will be willing to incur the costs. That is where overwhelming power, and the concomitant willingness and ability to provide for global public goods, makes a crucial difference. So, without American primacy—or something like it—it is doubtful that the rule of law can be sustained.

The wise application of American primacy can further U.S. values and interests. The use (or threat) of American military might evicted Iraqi troops from Kuwait, convinced Haiti's military junta to relinquish power, ended Serbian atrocities in Kosovo, and broke al-Qaida's hold over Afghanistan. Nor does American primacy advance only U.S. interests and values. As the one country willing and able to break deadlocks and stalemates preventing progress on issues from promoting peace in the Balkans, Northern Ireland, and the Middle East to preserving financial stability around the world, the United States frequently advances the interests of most other democratic states as well. Often, the United States is exactly what Madeleine Albright said it was—the indispensable nation that makes it possible to mobilize the world into effective action.

And the United States does differ from other countries. Unique among past hegemons in not seeking to expand its power through territorial gains, it is also unique among its contemporaries. Its primacy and global interests prompt others both to seek its assistance in addressing their problems and to resent it for meddling in their affairs. The ambivalence the world feels about American engagement—as well as the unique nature of that engagement—makes it imperative that the United States not mistake the conduct of foreign policy for a popularity contest. Doing the right thing may not always be popular—but it is vitally important nevertheless.

But Globalists are right that while America is powerful, it is not omnipotent. Far more able than most countries to protect itself against the pernicious consequences of globalization, it is by no means invulnerable. Some crucial problems do defy unilateral solutions. Global warming is perhaps the most obvious case, but others include stopping the spread of weapons of mass destruction and fighting global terrorism. In other cases, such as protecting the American homeland from terrorist attack, unilateral action can reduce but not eliminate risks.

Similarly, unilateral American power may not be enough to sustain the benefits of globalization. Globalization is not irreversible. World War I, the Russian Revolution, and the Great Depression combined to strangle the economic and social interactions that emerged early in the 20th century. Economic globalization today rests on an intricate web of international trade and financial institutions. Extending, developing, and improving these institutions requires the cooperation of others. Without it, the benefits of globalization, which help to underwrite American power, could erode.

Globalization has greatly broadened America's foreign policy agenda. Infectious diseases, poverty, and poor governance not only offend our moral sensibilities but also represent potential new security threats. Failed and failing states endanger not just their own citizens but Americans as well. If the United States cannot find ways to encourage prosperity and good governance, it runs the risk of seeing threats to its security multiply. It could eventually find itself harmed not by bears in the woods but by swarms of tiny pests.

Finally, cooperation can extend the life of American primacy. Working with others can spread the costs of action over a wider array of actors, enabling the United States to do more with less. By creating international regimes and organizations, Washington can imbed its interests and values in institutions that will shape and constrain countries for decades, regardless of the vicissitudes of American power. And cooperation can build bonds with other countries, lessening the chances of cultural and political tactics that can over the years sap U.S. power.

> Creating an international order in which more people are free and prosperous is profoundly in America's self-interest.

Implications for American Foreign Policy

Both Americanists and Globalists understand essential truths about the world today. Power continues to matter, but power alone will often not be enough to achieve our goals. A pragmatic American internationalism would recognize that we do not need to pick between these two truths. Both should guide American foreign policy.

But what should America seek to

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accomplish abroad? The indisputable first objective must be to safeguard and enhance our liberty, security, and prosperity. The question is how. In the new age of global politics, the best way to accomplish these goals is to promote an international order based on democracy, human rights, and free enterprise—to extend the zone of peace and prosperity that the United States helped establish in Europe to every other region of the world. Put differently, the United States needs to integrate the world's have-nots into the globalized West. Pursuing that goal is not charity. Creating an international order in which more people are free and prosperous is profoundly in America's self-interest. In a world of market democracies, America and Americans are likely to be both more prosperous and more secure. In such a world we are most likely to realize the promise of globalization while minimizing its dangers.

Ensuring that a commitment to democracy and open markets triumphs on a global scale entails four broad strategies. First, it is necessary to sustain and strengthen the bases of American power. This, most of all, requires ensuring that the fundamentals of the nation's economy remain sound. It is important not to spend today what the country may need tomorrow. It also requires maintaining America's military edge, both technologically and in terms of the overall capacity to bring force to bear at a time and place of America's own choosing. And it requires persistent diplomatic engagement on Washington's part to demonstrate awareness that what happens abroad and matters to others can also have a profound impact on security and prosperity at home.

Second, U.S. policy should seek to extend and adapt proven international institutions and arrangements. NATO's recent transformation is a prime example. During the 1990s, the collective defense organization that had safeguarded the territorial integrity of its members against the Soviet Union for four decades gradually took on a new role: providing security for every state and its citizens in an ever-enlarging north Atlantic area. By taking the lead in stabilizing conflict-ridden regions like the Balkans, as well as by opening its doors to new members, NATO began to do for Europe's east what it had done for Europe's west. The world trading system is also ripe for change. Barriers to the free flow of goods, capital, and services have steadily fallen over the years, and more and more countries have joined the free-trading regime. Now it is time to lower the most pernicious barriers, especially those for agricultural goods, and bring poor countries into the global economic system.

Third, U.S. policy should enforce compliance with existing international agreements and strengthen the ability of institutions to monitor and compel compliance. Too many favor the negotiation of new sets of rules or new institutions for their own sake, and too few pay attention to making sure that new rules are upheld and new institutions function effectively. Iraq is a case in point. Even if one believes that Iraq can be contained and deterred and that therefore forcible regime change is neither necessary nor advisable, Baghdad's refusal to comply with UN Security Council resolutions (including the critical terms of the Gulf War cease-fire resolution) means that the threat and possible use of force must be in play. A willingness to use force is no doubt necessary (though by no means sufficient) to persuade Saddam Hussein to allow UN inspectors to re-enter Iraq and permit them to carry out the mandate of the international community. If he refuses, the United States must be prepared to use force, preferably with others but alone if necessary, to compel compliance. Bad behavior that produces no consequences gets emulated.

Finally, U.S. policy must take the lead in creating effective international institutions and arrangements to handle new challenges, especially those arising from the downside of globalization. The United States must lead not only because it alone can help the international community overcome its collective-action problems, but because it is most likely to be hurt by inaction. Just as one example, an international system for reporting and monitoring research in dangerous pathogens could provide early warning if biotechnologists create such pathogens either deliberately or inadvertently.

As these strategies make clear, promoting an international order based on market democracies will require the United States to lead as well as listen, to give as well as take. Arguing that American foreign policy should be either unilateral or multilateral is to posit a false choice and also confuse means with ends. Unilateralism can be put to good or bad uses. The flaw in the Bush administration's decision to withdraw the United States from the Kyoto Treaty was not so much that Washington went its own way—though the peremptory manner of the withdrawal maximized bad feelings—but that it has failed to propose a better strategy for dealing with a rise in global temperatures that its own EPA scientists acknowledge. In this case, what is needed is not more multilateralism, but more unilateral action on the part of the United States to curtail its greenhouse gas emissions. Likewise, multilateralism can produce a modern-day Kellogg-Briand Treaty just as easily as it produces a Gulf War coalition or a World Trade Organization.

Can U.S. foreign policy promote a liberal world order in the new age of global politics? In many ways it has no other choice. The pernicious effects of globalization, which empower tiny groups of people to inflict grievous harm, make it essential to create a world community that shares American values. But there is also good reason to believe that the United States can succeed in integrating the rest of the world into the Western world order. Immediately after World War II, the United States forged a series of bold political, economic, and military arrangements that made allies of former enemies and set the stage for victory in the age of geopolitics. U.S. policymakers at the time took a broad view of American interests and understood that their efforts would be for naught if America's partners did not see them as being in the interest of all. U.S. policymakers in the age of global politics must do likewise. ■

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The New Terror

Securing the Nation against a

By Steven Simon

In the minds of the men who carried them out, the attacks of September 11 were acts of religious devotion—a form of worship, conducted in God's name and in accordance with his wishes. The enemy was the infidel; the opposing ideology, "Western culture." That religious motivation, colored by a messianism and in some cases an apocalyptic vision of the future, distinguishes al-Qaida and its affiliates from conventional terrorists groups such as the Irish Republican Army, the Red Brigades, or even the Palestine Liberation Organization. Although secular political interests help drive al-Qaida's struggle for power, these interests are understood and expressed in religious terms. Al-Qaida wants to purge the Middle East of American political, military, and economic influence, but only as part of a far more sweeping religious agenda: a "defensive jihad" to defeat a rival system portrayed as an existential threat to Islam.

The explicitly religious character of the "New Terrorism" poses a profound security challenge for the United States. The social, economic, and political conditions in the Arab and broader Islamic world that have helped give rise to al-Qaida will not be easily changed. The maximalist demands of the new terrorists obviate dialogue or negotiation. Traditional strategies of deterrence by retaliation are unlikely to work, because the jihadists have no territory to hold at risk, seek sacrifice, and court Western attacks that will validate their claims about Western hostility to Islam. The United States will instead need to pursue a strategy of containment, while seeking ways to redress, over the long run, underlying causes.

Steven Simon is a senior fellow at the International Institute for Strategic Studies and coauthor, with Daniel Benjamin, of The Age of Sacred Terror *(Random House, October 2002).*

The Fabric of New Terrorism

Religiously motivated terrorism, as Bruce Hoffman of the RAND Corporation first noted in 1997, is inextricably linked to pursuit of mass casualties. The connection is rooted in the sociology of biblical religion. Monotheistic faiths are characterized by exclusive claims to valid identity and access to salvation. The violent imagery embedded in their sacred texts and the centrality of sacrifice in their liturgical traditions establish the legitimacy of killing as an act of worship with redemptive qualities. In these narratives, the enemy must be eradicated, not merely suppressed.

In periods of deep cultural despair, eschatology—speculation in the form of apocalyptic stories about the end of history and dawn of the kingdom of God—can capture the thinking of a religious group. History is replete with instances in which religious communities—Jewish, Christian, Islamic—immolated themselves and perpetrated acts of intense violence to try to spur the onset of a messianic era. Each community believed it had reached the nadir of degradation and was on the brink of a resurgence that would lead to its final triumph over its enemies—a prospect that warranted and required violence on a massive scale.

Such episodes of messianic zeal are not restricted to the distant past. In the mid-1980s, a group of Israeli settlers plotted to

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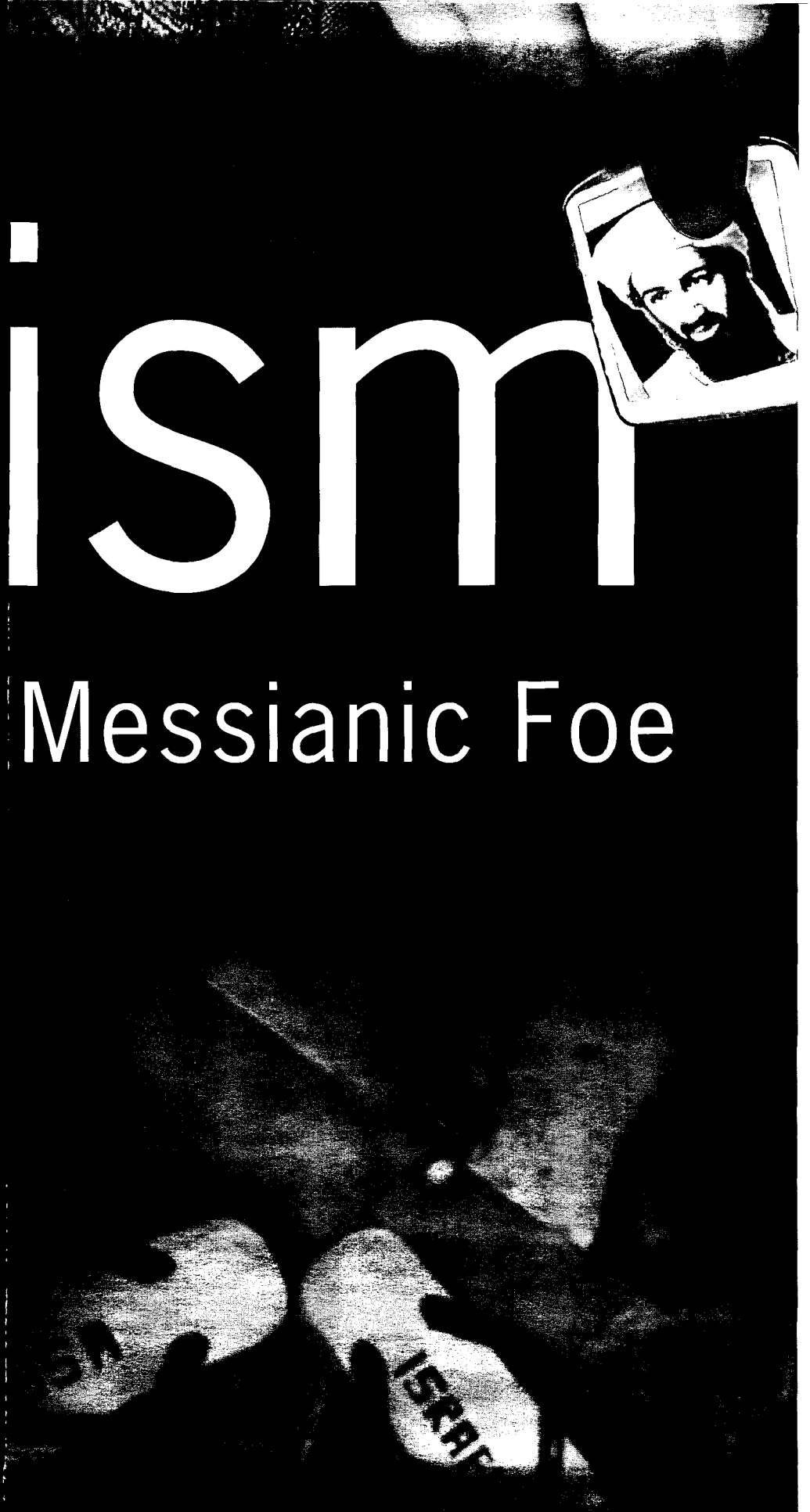

destroy the Dome of the Rock, the 8th-century mosque atop the Haram al Sharif in Jerusalem. The settlers appeared to believe that destroying the mosque would spark an Arab invasion, which would trigger an Israeli nuclear response—the Armageddon said by the Bible to precede the kingdom of God. The plot was never carried out, because the conspirators could not get a rabbinical blessing. Analogous attempts have characterized Christian apocalypticists and even a Buddhist community whose doctrine was strongly influenced by Christian eschatology—Aum Shinrikyo.

The Doctrinal Potency of al-Qaida

Similar thinking can be detected in narrative trends that inform al-Qaida's ideology and actions. Apocalyptic tales circulating on the Web and within the Middle East in hard copy tell of cataclysmic battles between Islam and the United States, Israel, and sometimes Europe. Global battles seesaw between infidel and Muslim victory until some devastating act, often the destruction of New York by nuclear weapons, brings Armageddon to an end and leads the world's survivors to convert to Islam.

The theological roots of al-Qaida's leaders hark back to a medieval Muslim jurisconsult, Taqi al Din Ibn Taymiyya, two of whose teachings have greatly influenced Islamic revolutionary movements. The first was his elevation of jihad—not the spiritual struggle that many modern Muslims take it to be, but physical combat against unbelievers—to the rank of the canonical five pillars of Islam (declaration of faith, prayer, almsgiving, Ramadan fast, and pilgrimage to Mecca). The second was his legitimization of rebellion against Muslim rulers who do not enforce *sharia*, or Islamic law, in their domains.

Ibn Taymiyya's ideas were revived in the 1960s in Egypt, where they underpinned 25 years of violence, including the assassination of Anwar Sadat in 1981. When the Egyptian government vanquished the militants, survivors fled abroad, taking advantage of European laws regarding asylum or of the lawlessness of Yemen, Afghanistan, and Kashmir.

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Ibn Taymiyya's teachings have even deeper roots in Saudi Arabia. They became part of the founding ideology of the Saudi state when Muhammad Ibn Abd al Wahhab formed an alliance with Ibn Saud in 1744.

Al-Qaida embodies both the Egyptian and the Saudi sides of the jihad movement, which came together in the 1960s when some Egyptian militants sought shelter in Saudi Arabia, which was locked in conflict with Nasserist Egypt. Osama bin Laden himself is a Saudi, and his second-in-command, Ayman al Zawahiri, is an Egyptian who served three years in prison for his role in Sadat's assassination.

The jihadist themes in Ibn Taymiyya's teachings are striking an increasingly popular chord in parts of the Muslim world.

Al-Qaida's Geopolitical Reach

Religiously motivated militants have now dispersed widely to multiple "fields of jihad." The social and economic problems that have fueled their discontent are well known—low economic growth, falling wages and increasing joblessness, poor schooling, relentless but unsustainable urban growth, and diminishing environmental resources, especially water. Political alienation and resentment over the plight of the Palestinians and the intrusion into traditional societies of offensive images and ideas compound these problems and help account for the religious voice given to these primarily secular grievances. The mobilization of religious imagery and terminology further transforms secular issues into substantively religious ones, putting otherwise negotiable political issues beyond the realm of bargaining and making violent outcomes more likely.

The political power of religious symbols has led some pivotal states—in particular, Egypt and Saudi Arabia—to use them to buttress their own legitimacy. In so doing they perversely confer authority on the very clerical opposition that threatens state power and impedes the modernization programs that might, over the long haul, materially improve quality of life. Although the jihadists are unable to challenge these states, Islamists nevertheless dominate public discourse and shape the debate on foreign and domestic policy. For the jihadists, the "near enemy" at home once took precedence over the "far enemy," which now includes the United States and the West. Thanks to bin Laden's doctrinal creativity, in Egypt and Saudi Arabia, Islamists have inextricably intertwined the near and far enemies. The governments' need to cater to the sentiments aroused within mosques and on the Islamist airwaves to keep their regimes secure dictates their tolerance or even endorsement of anti-American views. At the same time, strategic circumstances compel both states to provide diplomatic or other practical support for U.S. policies that offend public sensitivities. It is small wonder that Egyptians and Saudis are the backbone of al-Qaida and that Saudi Arabia spawned most of the September 11 attackers.

The fields of jihad stretch far and wide. In the Middle East, al-Qaida developed ties in Lebanon and Jordan. In Southeast Asia, Indonesians, Malaysians, and Singaporeans trained in Afghanistan, or conspired with those who had, to engage in terror, most horrifically the bombing in Bali. In Central Asia, the Islamic Movement of Uzbekistan became a full-fledged jihadist group. In Pakistan, jihadists with apocalyptic instincts nearly provoked a nuclear exchange between India and Pakistan. East Africa remains a field of jihad four years after the bombings of U.S. embassies in Kenya and Tanzania. Videotapes of atrocities of the Algerian Armed Islamic Group circulate in Europe as recruitment propaganda for the global jihad.

Given its role as a springboard for the September 11 attacks, Europe may be the most crucial field of jihad. Lack of political representation and unequal access to education, jobs, housing, and social services have turned European Muslim youth against the states in which they live. In the United Kingdom, the Muslim prison population, a source of recruits for the radical cause, has doubled in the past decade. Close to a majority of young Muslims in Britain have told pollsters that they feel no obligation to bear arms for England but would fight for bin Laden.

The United States remains al-Qaida's prime target. Suleiman Abu Ghaith, the al-Qaida spokesman, has said that there can be no truce until the group has killed four million Americans, whereupon the rest can convert to Islam.

The Recalcitrance of the Jihadists

How should the United States respond to the jihadist threat? To the extent one can speak of the root causes of the new terrorism, they defy direct and immediate remedial action. Population in the Middle East is growing rapidly, and the median age is dropping. The correlation between youth and political instability highlights the potential for unrest and radicalization. In cities, social welfare programs, sanitation, transportation, housing, power, and the water supply are deteriorating. In much of the Muslim world, the only refuge from filth, noise, heat, and, occasionally, surveillance is the mosque. Economists agree that the way out of the morass is to develop institutions that facilitate the distribution of capital and create opportunity; how to do that, they are unsure. The West can offer aid but cannot as yet correct structural problems.

Improving public opinion toward the United States is also deeply problematic. Decades of official lies and controlled press have engendered an understandable skepticism toward the assertions of any government, especially one presumed hostile to Muslim interests. Trust is based on confidence in a chain of transmission whose individual links are known to be reliable. Official news outlets or government spokespersons do not qualify as such links. Nor, certainly, do Western news media.

Moreover, highly respected critics of the United States in Saudi Arabia demonstrate an ostensibly profound understanding of U.S. policies and society, while offering a powerful and internally consistent explanation for their country's descent from the all-powerful, rich supplier of oil to the West to a debt-ridden, faltering economy protected by Christian troops and kowtowing to Israel. These are difficult narratives to counter, especially in a society where few know much about the West.

The prominent role of clerics in shaping public opinion offers yet more obstacles. The people who represent the great-

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est threat of terrorist action against the United States follow the preaching and guidance of Salafi clerics—the Muslim equivalent of Christian "fundamentalists." Although some Salafi preachers have forbidden waging jihad as harmful to Muslim interests, their underlying assumptions are that jihad qua holy war against non-Muslims is fundamentally valid and that Islamic governments that do not enforce *sharia* must be opposed. No authoritative clerical voice offers a sympathetic view of the United States.

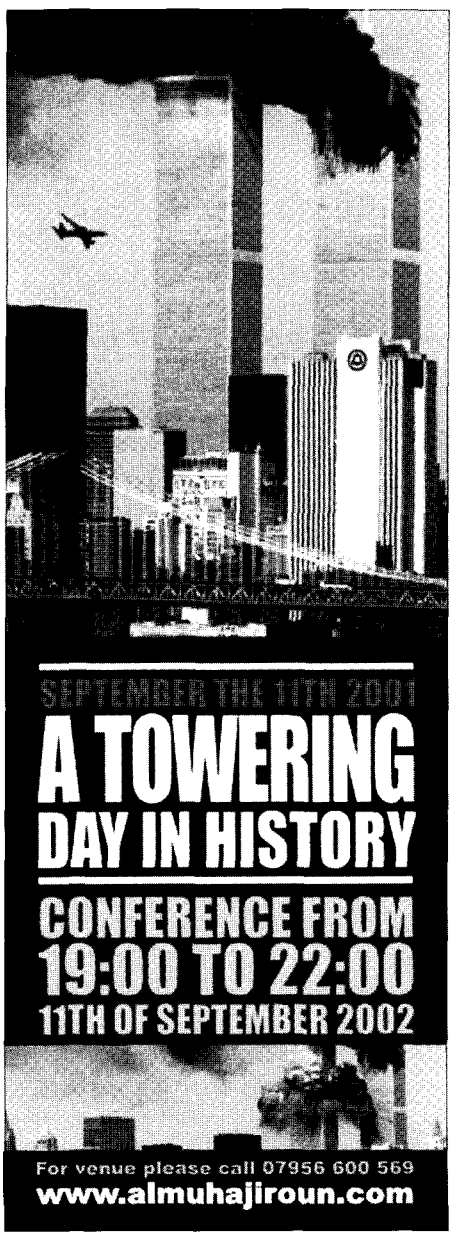
The prognosis regarding root causes, then, is poor. The world is becoming more religious; Islam is the fastest-growing faith; religious expression is generally becoming more assertive and apocalyptic thinking more prominent. Weapons of mass destruction, spectacularly suited to cosmic war, will become more widely available. Democratization is at a standstill. Governments in Egypt, Saudi Arabia, Pakistan, and Indonesia are unwilling or unable to oppose anti-Western religiously based popular feeling. Immigration, conversion, and inept social policies will intensify parallel trends in Europe.

At least for now, dialogue does not appear to be an option. Meanwhile, global market forces beyond the control of Western governments hasten Western cultural penetration and generate ever-greater resentment. Jihadists could conceivably argue that they have a negotiable program: cessation of U.S. support for Israel, withdrawal from Saudi Arabia, broader American disengagement from the Islamic world. But U.S. and allied conceptions of international security and strategic imperatives will make such demands difficult, if not impossible, to accommodate.

Reducing Vulnerability to New Terrorism

Facing a global adversary with maximal goals and lacking a bargaining option or means to redress severe conditions that may or may not motivate attackers, the United States is confined primarily to a strategy of defense, deterrence by denial, and, where possible and prudent, preemption. Deterrence through the promise of retaliation is impossible with an adversary that controls little or no territory and invites attack.

The United States remains al-Qaida's prime target. Suleiman Abu Ghaith, the al-Qaida spokesman, has said that there can be no truce until the group has killed four million Americans.



Adjusting to the new threat entails disturbing conceptual twists for U.S. policymakers. After generations of effort to reduce the risk of surprise attack through technical means and negotiated transparency measures, surprise will be the natural order of things. The problem of warning will be further intensified by the creativity of this adversary, its recruitment of Europeans and Americans, and its ability to stage attacks from within the United States. Thinking carefully about the unlikely—"institutionalizing imaginativeness," as Dennis Gormley has put it—is by definition a paradox, but nonetheless essential for American planners.

With warning scarce and inevitably ambiguous, it will be necessary to probe the enemy both to put him off balance and to learn of his intentions. The United States has done so clandestinely against hostile intelligence agencies. Against al-Qaida, a more difficult target, the approach will take time to cohere. Probes could also take the form of military action against al-Qaida–affiliated cantonments, where they still exist. The greater the movement's virtuality, however, the fewer the targets available for U.S. action. Preemptive strikes could target sites that develop, produce, or harbor weapons of mass destruction.

A decade of al-Qaida activity within the United States has erased the customary distinction between the domestic and the foreign in intelligence and law enforcement. The relationship between the Central Intelligence Agency and the Federal Bureau of Investigation must change. Only a more integrated organization can adapt to the seamlessness of the transnational arenas in which the terrorists operate.

Civil liberties and security must be rebalanced. How sweeping the process turns out to be will depend largely on whether the nation suffers another attack or at least a convincing attempt. Americans will have to be convinced that curtailing civil liberties is unavoidable and limited to the need to deal with proximate threats. They will need to see bipartisan consensus in Congress and between Congress and the White House and be sure that politicians are committed to

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keeping the rebalancing to a minimum.

The distinction between public and private sector has also been blurred. Al-Qaida has targeted the American population and used our infrastructure against us. A perpetual state of heightened readiness would impose unacceptable opportunity costs on the civilian world, so vulnerabilities must be reduced. Civilian ownership of the infrastructure is a complication. What the U.S. government does not own, it cannot completely defend. Private owners do not necessarily share the government's perception of the terrorist threat and are often able to resist regulation. Where they accept the threat, they view it as a national security issue for which the federal government should bear the cost. The idea of public-private partnership is only now finding acceptance in the cybersecurity realm as concerns over litigation have brought about a focus on due diligence. The pursuit of public-private partnership will have to be extended to all potentially vulnerable critical infrastructures by a government that does not yet understand perfectly which infrastructures are truly critical and which apparently dispensable infrastructures interact to become critical.

Governments in Egypt, Saudi Arabia, Pakistan, and Indonesia are unwilling or unable to oppose anti-Western religiously based popular feeling.

Defending these infrastructures will also present unprecedented challenges. The U.S. government is not on the lookout for military formations, but for a lone, unknown person in a visa line. Technology—biometrics, data mining, super-fast data processing, and ubiquitous video surveillance—will move this needle-in-the-haystack problem into the just-possible category by providing the means to collect and store detailed and unique characteristics of huge numbers of people and match them to the person in the visa line. The cost will be the need to archive personal information on a great mass of individuals.

The United States must also devise ways to block or intercept vehicles that deliver weapons of mass destruction. It cannot do that alone. The cruise missile threat, for instance, requires the cooperation of suppliers, which means an active American role in expanding the remit of the Missile Technology Control Regime (MTCR). Weapons components

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themselves must be kept out of terrorists' hands. The recent adoption of MTCR controls on cheap technologies for transforming small aircraft into cruise missiles shows what can be accomplished. Washington has been buying surplus fissile materials from Russia's large stock and helping Russians render them useless for weapons; it will be vital to continue generous funding for that effort.

Remote detection of weapons, especially nuclear ones, that have reached the United States is crucial. Emergency response teams will need to be able to pinpoint the location of a device, identify its type, and know in advance how to render it safe once it has been seized. Local authorities will have to detect and identify biological and chemical agents that have been released. Genetically engineered vaccines must be rapidly developed and produced to stop local attacks from becoming national, and ultimately global, epidemics. Special medical units must be on standby to relieve local health care personnel who become exhausted or die.

Offensive opportunities will be limited but not impossible. They do, however, require impeccable intelligence, which has been hard to come by. The Afghan nexus in which jihadis initially came together and the cohesion of the groups that constitute the al-Qaida movement have made penetration forbiddingly complicated. But as al-Qaida picks up converts to Islam and Muslims who have long resided in Western countries, penetration may become easier. The more they look like us, the more we look like them.

Another source of potentially vital information is the jihadis picked up by local authorities abroad on the basis of U.S. intelligence and then shipped to their countries of origin for interrogation. Transfers of this sort were carried out frequently during the 1990s and sometimes produced life-saving intelligence on imminent terrorist attacks In some cases, the authorities where a suspect resides will not wish to make an arrest, fearing terrorist retaliation, political problems, or diplomatic friction. The United States has asserted the authority to conduct these operations without the consent of the host government but has generally refrained from acting. In the wake of September 11, Washington may want to reassess the risks and benefits of these actions.

Without revoking the long-standing executive order prohibiting assassination, the United States should also consider targeted killing, to use the Israeli phrase, of jihadists known to be central to an evolving conspiracy to attack the United States or to obtain weapons of mass destruction. As a practical matter, the intelligence value of such a person alive would generally outweigh the disruptive benefits of his death, assuming that U.S. or friendly intelligence services could be relied on to keep him under surveillance. But this will not always be so. When it is not, from a legal standpoint, targeted killing falls reasonably under the right to self-defense. Such a policy departure is unsavory. But in a new strategic context, with jihadis intent on mass casualties, unsavory may not be a sensible threshold. The killing of al-Qaida operatives in Yemen by missiles fired from a CIA-controlled aerial drone suggests that this threshold may already have been crossed.

Allied Cooperation

As the al-Qaida movement dissolves into virtuality in 60 countries worldwide, international cooperation becomes ever more indispensable to countering the threat.

Many countries that host al-Qaida will cooperate with the United States out of self-interest; they do not want jihadis on their soil any more than Americans do on theirs. A durable and effective counterterrorism campaign, however, requires not just bare-bones cooperation, but political collaboration at a level that tells the bureaucracies that cooperation with their American counterparts is expected. Such a robust, wholesale working relationship is what produces vital large-scale initiatives—a common diplomatic approach toward problem states; a sustainable program of economic development for the Middle East; domestic policy reforms that lessen the appeal of jihadism to Muslim diaspora communities; improved border controls; and tightened bonds among the justice ministries, law enforcement, customs, and intelligence agencies, and special operations forces on the front lines.

Whether this level of burden sharing emerges, let alone endures, depends on the give-and-take among the players. Since September 11, the United States has fostered allied perceptions that Washington is indifferent to their priorities. The United States has not yet paid a serious penalty in terms of allied cooperation. The scale of the attacks and the administration's blend of resolve and restraint in the war on terrorism have offset allies' disappointment in its go-it-alone posture. But as the war grinds on, good will is certain to wear thin. The United States would be wise to adopt a more flexible posture to ensure allied support in the crises that will inevitably come. Washington's willingness to seek a new Security Council resolution on Iraq was a good start.

Washington's interests would also be well served by modifying what appears at times to be a monolithic view of terrorist networks that equates the Arafats and Saddams of the world with bin Laden (or his successors). Several European partners regard Arafat and his ilk as considerably more controllable through diplomacy than bin Laden. Greater American flexibility may prove essential for ensuring European capitals' military, law-enforcement, and intelligence cooperation. And the fact remains that al-Qaida has killed more Americans than have Iraq, Iran, or Palestinian groups and would use weapons of mass destruction against the United States as soon as it acquired them. A good case can be made for a preventive war against Iraq to stave off the prospect of a nuclear-armed Saddam regime. We should recognize, though, that dealing with this strategic challenge may galvanize the equally dangerous threat of mass casualty attacks by Sunni terrorists.

Israel and the Palestinians

Since the heyday of the Middle East peace process under Ehud Barak's Labor government, jihadists have exploited the Israeli-Palestinian conflict to boost their popularity. The strategem has worked: jihadists are seen as sticking up for Palestinian rights, while Arab governments do nothing. Direct, energetic U.S. diplomatic intervention in the conflict would

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lessen the appeal of jihadi claims and make it marginally easier for regional governments to cooperate in the war on terrorism by demonstrating American commitment to resolving the Israeli-Palestinian conflict.

The Bush administration, for good reason, fears becoming entangled in a drawn-out, venomous negotiation between irreconcilable parties. They see it distracting them from higher priorities and embroiling them in domestic political disputes over whether Washington should pressure Israel. Still, the administration has been drawn in by degrees and has announced its support for creating a Palestinian state. If the war on terrorism is now the highest U.S. priority, then more vigorous—and admittedly risky—involvement in the Israeli-Palestinian conflict is required. The jihadi argument that the United States supports the murder of Palestinian Muslims must be countered.

Democratization in the Middle East

As it continues to engage with the authoritarian regimes in Cairo and Riyadh, Washington should try to renegotiate the implicit bargain that underpins its relations with both. The current bargain is structured something like this: Egypt sustains its commitment to peace with Israel, Saudi Arabia stabilizes oil prices, and both proffer varying degrees of diplomatic support for American objectives in the region, especially toward Iraq. In return, Washington defers to their domestic policies, even if these fuel the growth and export of Islamic militancy and deflect public discontent onto the United States and Israel. With jihadis now pursuing nuclear weapons, that bargain no longer looks sensible.

Under a new bargain, Cairo and Riyadh would begin to take measured risks to lead their publics gradually toward greater political participation by encouraging opposition parties of a more secular cast and allowing greater freedom of expression. Saudi Arabia would throttle back on its wahhabization of the Islamic world by cutting its production and export of unemployable graduates in religious studies and reducing subsidies for foreign mosques and madrasahs that propagate a confrontational and intolerant form of Islam while crowding out alternative practices. Both countries would be pushed to reform their school curricula—and enforce standards—to ensure a better understanding of the non-Islamic world and encourage respect for other cultures. With increased financial and technical assistance from the West, regimes governing societies beset by economic problems that spur radicalism would focus more consistently on the welfare of their people. In this somewhat utopian conception, leaders in both countries would use their new legitimacy to challenge Islamist myths about America and Western hostility toward Islam. In sum, Cairo and Riyadh would challenge the culture of demonization across the board, with an eye toward laying the groundwork for liberal democracy.

In the framework of this new bargain, the United States would move more boldly to establish contacts with moderate opposition figures in Egypt, Saudi Arabia, and perhaps other countries. The benefit would be twofold. Washington would get a better sense of events on the ground and would also gain credibility and perhaps even understanding on the part of critics. For this effort to bear fruit, however, the United States would have to use regional media efficiently—something for which it has as yet no well-developed strategy. Washington would also have to engage in a measure of self-scrutiny, examining how its policies contribute—in avoidable ways—to Muslim anti-Americanism. "Re-branding" is not enough.

Change will be slow. The regimes in Cairo and Riyadh face largely self-inflicted problems they cannot readily surmount without serious risks to stability. Nor is the United States entirely free to insist on the new bargain: it will need Saudi cooperation on Iraq as long as Saddam Hussein is in power, if not longer, given the uncertainties surrounding Iraq's future after Saddam leaves the stage. Egyptian support for a broader Arab-Israeli peace will also remain essential. But change has to start sometime, somewhere. It will take steady U.S. pressure and persistent attempts to convince both regimes that a new bargain will serve their countries' long-term interests. The sooner the new deals are struck, the better.

Hazardous but Not Hopeless

Western democracies face a serious, possibly transgenerational terrorist threat whose causes are multidimensional and difficult to address. The situation is hazardous, but not hopeless. The United States possesses enormous wealth, has capable allies, and stands on the leading edge of technological development that will be key to survival. A strategy that takes into account the military, intelligence, law-enforcement, diplomatic, and economic pieces of the puzzle will see America through. For the next few years, the objective will be to contain the threat, in much the same way that the United States contained Soviet power throughout the Cold War. The adversary must be prevented from doing his worst, while Washington and its allies wear down its capabilities and undermine its appeal to fellow Muslims. Success will require broad domestic support and a strong coalition abroad.

Prospects are, in many respects, bleak. But the dangers are not disproportionate to those the nation faced in the 20th century. America's initial reaction to September 11 was and indeed had to be its own self-defense: bolstering homeland security, denying al-Qaida access to weapons of mass destruction, dismantling its networks, and developing a law-enforcement and intelligence capacity to cope with the new adversary. Not all vulnerabilities can be identified and even fewer remedied, and al-Qaida need launch only one attack with a weapon of mass destruction to throw the United States into a profound crisis. Washington and its partners must convince Muslim populations that they can prosper without either destroying the West or abandoning their own traditions to the West's alien culture. That is a long-term project. American and allied determination in a war against apocalyptic—and genocidal—religious fanatics must be coupled with a generous vision about postwar possibilities. Militant Islam cannot be expected to embrace the West in the foreseeable future. But the United States can lay the foundation for a lasting accommodation by deploying its considerable economic and political advantages. It is not too late to begin. ■

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Rights, Liberties, AND Security

Recalibrating the Balance after September 11

By Stuart Taylor, Jr.

When dangers increase, liberties shrink. That has been our history, especially in wartime. And today we face dangers without precedent: a mass movement of militant Islamic terrorists who crave martyrdom, hide in shadows, are fanatically bent on slaughtering as many of us as possible and—if they can—using nuclear truck bombs to obliterate New York or Washington or both, without leaving a clue as to the source of the attack.

How can we avert catastrophe and hold down the number of lesser mass murders? Our best hope is to prevent al-Qaida from getting nuclear, biological, or chemical weapons and smuggling them into this country. But we need be unlucky only once to fail in that. Ultimately we can hold down our casualties only by finding and locking up (or killing) as many as possible of the hundreds or thousands of possible al-Qaida terrorists whose strategy is to infiltrate our society and avoid attention until they strike.

The urgency of penetrating secret terrorist cells makes it imperative for Congress—and the nation—to undertake a candid, searching, and systematic reassessment of the civil liberties rules that restrict the government's core investigative and detention powers. Robust national debate and deliberate congressional action should replace what has so far been largely ad hoc presidential improvisation. While the USA-PATRIOT Act—no model of careful deliberation—changed many rules for the better (and some for the worse), it did not touch some others that should be changed.

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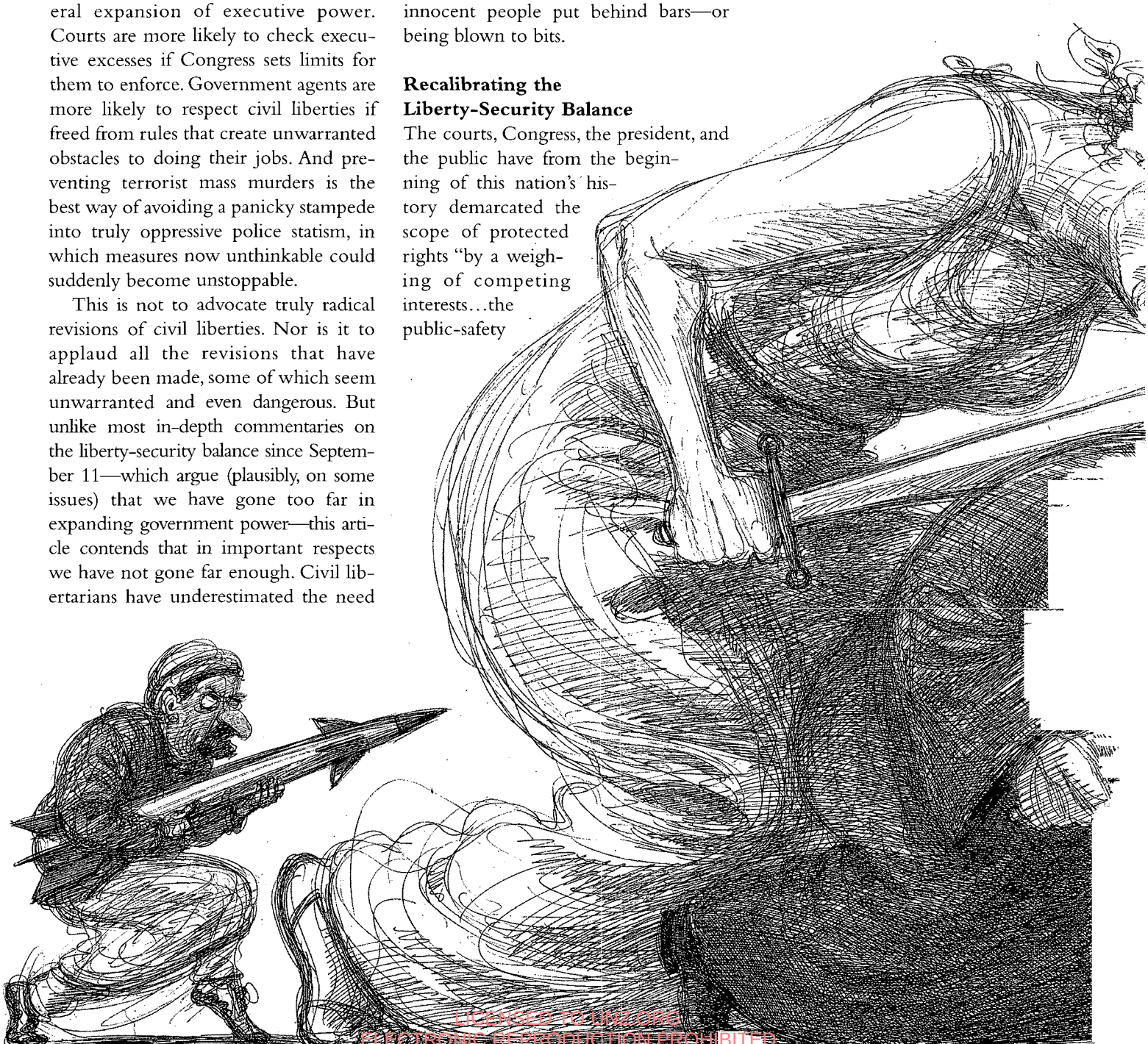
Carefully crafted new legislation would be good not only for security but also for liberty. Stubborn adherence to the civil liberties status quo would probably damage our most fundamental freedoms far more in the long run than would judicious modifications of rules that are less fundamental. Considered congressional action based on open national debate is more likely to be sensitive to civil liberties and to the Constitution's checks and balances than unilateral expansion of executive power. Courts are more likely to check executive excesses if Congress sets limits for them to enforce. Government agents are more likely to respect civil liberties if freed from rules that create unwarranted obstacles to doing their jobs. And preventing terrorist mass murders is the best way of avoiding a panicky stampede into truly oppressive police statism, in which measures now unthinkable could suddenly become unstoppable.

This is not to advocate truly radical revisions of civil liberties. Nor is it to applaud all the revisions that have already been made, some of which seem unwarranted and even dangerous. But unlike most in-depth commentaries on the liberty-security balance since September 11—which argue (plausibly, on some issues) that we have gone too far in expanding government power—this article contends that in important respects we have not gone far enough. Civil libertarians have underestimated the need for broader investigative powers and exaggerated the dangers to our fundamental liberties. Judicious expansion of the government's powers to find suspected terrorists would be less dangerous to freedom than either risking possibly preventable attacks or resorting to incarceration without due process of law—as the Bush administration has begun to do. We should worry less about being wiretapped or searched or spied upon or interrogated and more about seeing innocent people put behind bars—or being blown to bits.

Recalibrating the Liberty-Security Balance

The courts, Congress, the president, and the public have from the beginning of this nation's history demarcated the scope of protected rights "by a weighing of competing interests...the public-safety interest and the liberty interest," in the words of Judge Richard A. Posner of the U.S. Court of Appeals for the Seventh Circuit. "The safer the nation feels, the more weight judges will be willing to give to the liberty interest."

During the 1960s and 1970s, the weight on the public safety side of the scales seemed relatively modest. The isolated acts of violence by groups like the Weather Underground and the Black Panthers—which had largely run their



VICTOR JUHASZ

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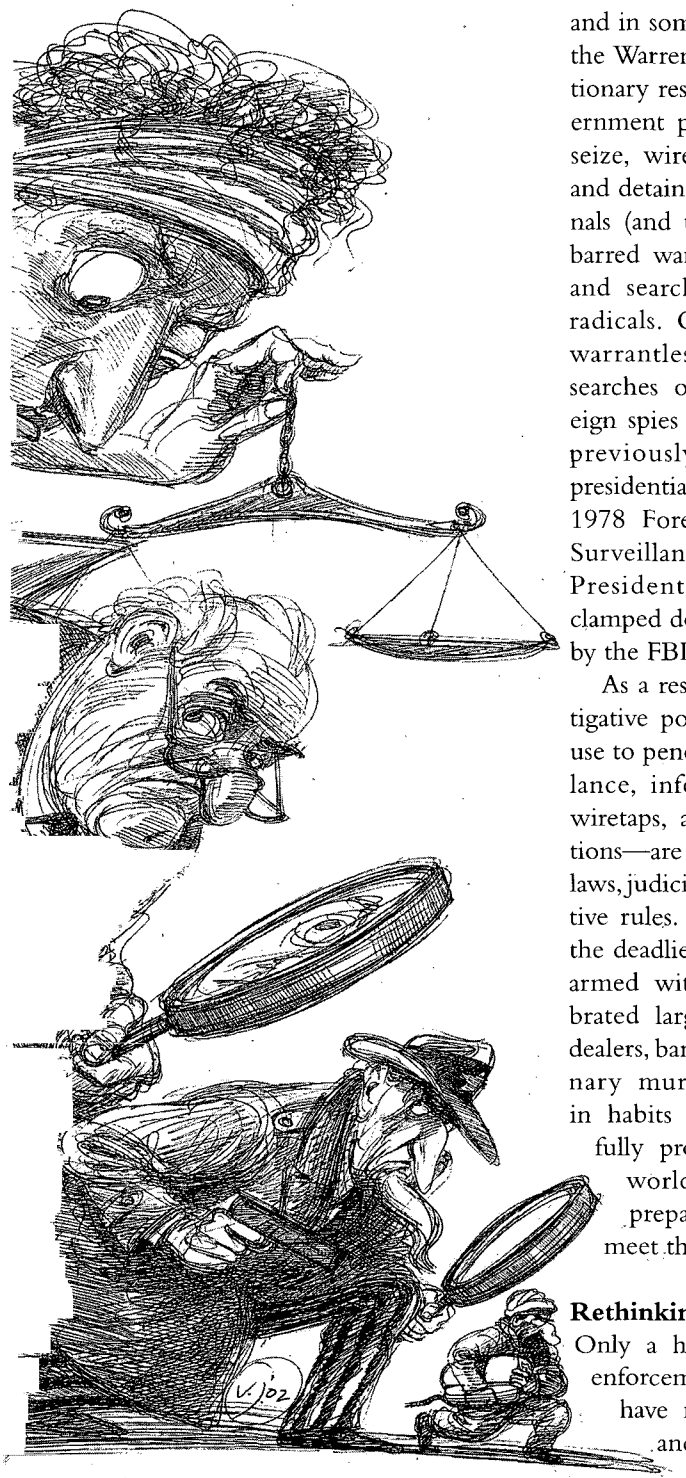
course by the mid-1970s—were a minor threat compared with our enemies today. Suicide bombers were virtually unheard of. By contrast, the threat to civil liberties posed by broad governmental investigative and detention powers and an imperial presidency had been dramatized by Watergate and by disclosures of such ugly abuses of power as FBI Director J. Edgar Hoover's spying on politicians, his wiretapping and harassment of the Reverend Martin Luther King, Jr., and the government's disruption and harassment of anti-war and radical groups.



To curb such abuses, the Supreme Court, Congress, and the Ford and Carter administrations placed tight limits on law-enforcement and intelligence agencies. The Court consolidated and in some ways extended the Warren Court's revolutionary restrictions on government powers to search, seize, wiretap, interrogate, and detain suspected criminals (and terrorists). It also barred warrantless wiretaps and searches of domestic radicals. Congress barred warrantless wiretaps and searches of suspected foreign spies and terrorists—a previously untrammeled presidential power—in the 1978 Foreign Intelligence Surveillance Act. And Edward Levi, President Ford's attorney general, clamped down on domestic surveillance by the FBI.

As a result, today many of the investigative powers that government could use to penetrate al-Qaida cells—surveillance, informants, searches, seizures, wiretaps, arrests, interrogations, detentions—are tightly restricted by a web of laws, judicial precedents, and administrative rules. Stalked in our homeland by the deadliest terrorists in history, we are armed with investigative powers calibrated largely for dealing with drug dealers, bank robbers, burglars, and ordinary murderers. We are also stuck in habits of mind that have not yet fully processed how dangerous our world has become or how ill-prepared our legal regime is to meet the new dangers.

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Rethinking Government's Powers

Only a handful of the standard law-enforcement investigative techniques have much chance of penetrating and defanging groups like al-Qaida. The four most promising are: infiltrating them through informants and undercover agents; finding them and learning their plans through surveillance, searches, and wiretapping; detaining them before they can launch terrorist attacks; and interrogating those detained. All but the first (infiltration) are now so tightly restricted by Supreme Court precedents (sometimes by mistaken or debatable readings of them), statutes, and administrative rules as to seriously impede terrorism investigators. Careful new legislation could make these powers more flexible and useful while simultaneously setting boundaries to minimize overuse and abuse.

Searches and Surveillance

The Supreme Court's case law involving the Fourth Amendment's ban on "unreasonable searches and seizures" does not distinguish clearly between a routine search for stolen goods or marijuana and a preventive search for a bomb or a vial of anthrax. To search a dwelling, obtain a wiretap, or do a thorough search of a car or truck, the government must generally have "probable cause"—often (if incorrectly) interpreted in the more-probable-than-not sense—to believe that the proposed search will uncover evidence of crime. These rules make little sense when the purpose of the search is to prevent mass murder.

Federal agents and local police alike need more specific guidance than the Supreme Court can quickly supply. Congress should provide it, in the form of legislation relaxing for terrorism investigations the restrictions on searching, seizing, and wiretapping, including the undue stringency of the burden of proof to obtain a search warrant in a terrorism investigation.

Search and seizure restrictions were

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the main (if widely unrecognized) cause of the FBI's famous failure to seek a warrant during the weeks before September 11 to search the computer and other possessions of Zacarias Moussaoui, the alleged "20th hijacker." He had been locked up since August 16, technically for overstaying his visa, based on a tip about his strange behavior at a Minnesota flight school. The FBI had ample reason to suspect that Moussaoui—who has since admitted to being a member of al-Qaida—was a dangerous Islamic militant plotting airline terrorism.

Congressional and journalistic investigations of the Moussaoui episode have focused on the intelligence agencies' failure to put together the Moussaoui evidence with other intelligence reports that should have alerted them that a broad plot to hijack airliners might be afoot. Investigators have virtually ignored the undue stringency of the legal restraints on the government's powers to investigate suspected terrorists. Until these are fixed, they will seriously hobble our intelligence agencies no matter how smart they are.

From the time of FDR until 1978, the government could have searched Moussaoui's possessions without judicial permission, by invoking the president's inherent power to collect intelligence about foreign enemies. But the 1978 Foreign Intelligence Security Act (FISA) bars searches of suspected foreign spies and terrorists unless the attorney general can obtain a warrant from a special national security court (the FISA court). The warrant application has to show not only that the target is a foreign terrorist, but also that he is a member of some international terrorist "group."

Coleen Rowley, a lawyer in the FBI's Minneapolis office, argued passionately in a widely publicized letter last May 21 to FBI Director Robert S. Mueller III that the information about Moussaoui satisfied this FISA requirement. Congressional investigators have said the same. FBI headquarters officials have disagreed, because before September 11 no evidence linked Moussaoui to al-Qaida or any other identifiable terrorist group. Unlike their critics, the FBI headquarters officials were privy to any relevant prior decisions by the FISA court, which cloaks its proceedings and decisions in secrecy. In addition, they were understandably gun-shy about going forward with a legally shaky warrant application in the wake of the FISA court's excoriation of an FBI supervisor in the fall of 2000 for perceived improprieties in his warrant applications. In any event, even if the FBI had done everything right, it is at least debatable whether its information about Moussaoui was sufficient to support a FISA warrant.

More important for future cases, it is clear that FISA—even as amended by the USA-PATRIOT Act—will not authorize a warrant in any case in which the FBI cannot tie a suspected foreign terrorist to one or more confederates, whether because his confederates have escaped detection or cannot be identified or because the suspect is a lone wolf.

Congress could strengthen the hand of FBI terrorism investigators by amending FISA to include the commonsense presumption that any foreign terrorist who comes to the United States is probably acting for (or at least inspired by) some international terrorist group. Another option would be to lower the burden of proof from "probable cause" to "reasonable suspicion." A third option—which could be extended to domestic as well as international terrorism investigations—would be to authorize a warrantless "preventive" search or wiretap of anyone the government has reasonable grounds to suspect of preparing or helping others prepare for a terrorist attack. To minimize any temptation for government agents to use this new power in pursuit of ordinary criminal suspects, Congress could prohibit the use in any prosecution unrelated to terrorism of any evidence obtained by such a preventive search or wiretap.

The Supreme Court seems likely to uphold any such statute as consistent with the ban on "unreasonable searches and seizures." While the Fourth Amendment says that "no warrants shall issue, but upon probable cause," warrants are not required for many types of searches, are issued for administrative searches of commercial property without probable cause in the traditional sense, and arguably should never be required. Even in the absence of a warrant or probable cause, the justices have upheld searches based on "reasonable suspicion" of criminal activities, including brief "stop-and-frisk" encounters on the streets and car stops. They have also upheld mandatory drug-testing of certain government employees and transportation workers whose work affects the public safety even when there is no particularized suspicion at all. In the latter two cases, the Court suggested that searches designed to prevent harm to the public safety should be easier to justify than searches seeking evidence for criminal cases.

Exaggerated Fear of Big Brother

Proposals to increase the government's wiretapping powers awaken fears of unleashing Orwellian thought police to spy on, harass, blackmail, and smear political dissenters and others. Libertarians point out that most conversations overheard and e-mails intercepted in the war on terrorism will be innocent and that the tappers and buggers will overhear intimacies and embarrassing disclosures that are none of the government's business.

Such concerns argue for taking care to broaden wiretapping and surveillance powers only as much as seems reasonable to prevent terrorist acts. But broader wiretapping authority is not all bad for civil liberties. It is a more accurate and benign method of penetrating terrorist cells than the main alternative, which is planting and recruiting informers—a dangerous, ugly, and unreliable business in which the government is already free to engage without limit. The narrower the government's surveillance powers, the more it will rely on informants.

Moreover, curbing the government's power to collect information through wiretapping is not the only way to protect against misuse of the information. Numerous other safeguards less damaging to the counterterrorism effort—

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inspectors general, the Justice Department's Office of Professional Responsibility, congressional investigators, a gaggle of liberal and conservative civil liberties groups, and the news media—have become extremely potent. The FBI has very little incentive to waste time and resources on unwarranted snooping.

To keep the specter of Big Brother in perspective, it's worth recalling that the president had unlimited power to wiretap suspected foreign spies and terrorists until 1978 (when FISA was adopted); if this devastated privacy or liberty, hardly anyone noticed. It's also worth noting that despite the government's already-vast power to comb through computerized records of our banking and commercial transactions and much else that we do in the computer age, the vast majority of the people who have seen their privacy or reputations shredded have not been wronged by rogue officials. They have been wronged by media organizations, which do far greater damage to far more people with far less accountability.

Nineteen years ago, in *The Rise of the Computer State*, David Burnham wrote: "The question looms before us: Can the United States continue to flourish and grow in an age when the physical movements, individual purchases, conversations and meetings of every citizen are constantly under surveillance by private companies and government agencies?" It can. It has. And now that the computer state has risen indeed, the threat of being watched by Big Brother or smeared by the FBI seems a lot smaller than the threat of being blown to bits or poisoned by terrorists.

The Case for Coercive Interrogation

The same Zacarias Moussaoui whose possessions would have been searched but for FISA's undue stringency also epitomizes another problem: the perverse impact of the rules—or what are widely assumed to be the rules—restricting interrogations of suspected terrorists.

"We were prevented from even attempting to question Moussaoui on the day of the attacks when, in theory, he could have possessed further information about other co-conspirators," Coleen Rowley complained in a little-noticed portion of her May 21 letter to Mueller. The reason was that Moussaoui had requested a lawyer. To the FBI that meant that any further interrogation would violate the Fifth Amendment "*Miranda* rules" laid down by the Supreme Court in 1966 and subsequent cases.

It's not hard to imagine such rules (or such an interpretation) leading to the loss of countless lives. While interrogating Moussaoui on September 11 might not have yielded any useful information, suppose that he had been part of a team planning a second wave of hijackings later in September and that his resistance could have been cracked. Or suppose that the FBI learns tomorrow, from a wiretap, that another al-Qaida team is planning an imminent attack and arrests an occupant of the wiretapped apartment.

You do *not* have a right to remain silent. The Fifth Amendment self-incrimination clause does not prohibit compelling a suspect to talk; it limits what can be used at trial.

We all know the drill. Before asking any questions, FBI agents (and police) must warn the suspect: "You have a right to remain silent." And if the suspect asks for a lawyer, all interrogation must cease until the lawyer arrives (and tells the suspect to keep quiet). This seems impossible to justify when dealing with people suspected of planning mass murder. But it's the law, isn't it?

Actually, it's not the law, though many judges think it is, along with most lawyers, federal agents, police, and cop-show mavens. You do *not* have a right to remain silent. The most persuasive interpretation of the Constitution and the Supreme Court's precedents is that agents and police are free to interrogate any suspect without *Miranda* warnings; to spurn requests for a lawyer; to press hard for answers; and—at least in a terrorism investigation—perhaps even to use hours of interrogation, verbal abuse, isolation, blindfolds, polygraph tests, death-penalty threats, and other forms of psychological coercion short of torture or physical brutality. Maybe even truth serum.

The Fifth Amendment self-incrimination clause says only that no person "shall be compelled in any criminal case to be a witness against himself." The clause prohibits forcing a defendant to testify at his trial and also making him a witness against himself indirectly by using compelled pretrial statements. It does not prohibit compelling a suspect to talk. *Miranda* held only that in determining whether a defendant's statements (and information derived from them) may be used against him at his trial, courts must treat all interrogations of arrested suspects as inherently coercive unless the warnings are given.

Courts typically ignore this distinction because in almost every litigated case the issue is whether a criminal defendant's incriminating statements should be suppressed at his trial; there is no need to focus on whether the constitutional problem is the conduct of the interrogation, or the use at trial of evidence obtained, or both. And as a matter of verbal shorthand, it's a lot easier to say "the police violated *Miranda*" than to say "the judge would be violating *Miranda* if he or she were to admit the defendant's statements into evidence at his trial."

But the war against terrorism has suddenly increased the significance of this previously academic question. In terrorism investigations, it will often be more important to get potentially life-saving information from a suspect than to get incriminating statements for use in court.

Fortunately for terrorism investigators, the Supreme Court said in 1990

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that "a constitutional violation [of the Fifth Amendment's self-incrimination clause] occurs only at trial." It cited an earlier ruling that the government can obtain court orders compelling reluctant witnesses to talk and can imprison them for contempt of court if they refuse, if it first guarantees them immunity from prosecution on the basis of their statements or any derivative evidence. These decisions support the conclusion that the self-incrimination clause "does not forbid the forcible extraction of information but only the use of information so extracted as evidence in a criminal case," as a federal appeals court ruled in 1992.

Of course, even when the primary reason for questioning a suspected terrorist is prevention, the government could pay a heavy cost for ignoring *Miranda* and using coercive interrogation techniques, because it would sometimes find it difficult or impossible to prosecute extremely dangerous terrorists. But terrorism investigators may be able to get their evidence and use it too, if the Court—or Congress, which unlike the Court would not have to wait for a proper case to come along—extends a 1984 precedent creating what the justices called a "public safety" exception to *Miranda*. That decision allowed use at trial of a defendant's incriminating answer to a policeman's demand (before any *Miranda* warnings) to know where his gun was hidden.

Those facts are not a perfect parallel for most terrorism investigations, because of the immediate nature of the danger (an accomplice might pick up the gun) and the spontaneity of the officer's question. And as Rowley testified, "In order to give timely advice" about what an agent can legally do, "you've got to run to a computer and pull it up, and I think that many people have kind of forgotten that case, and many courts have actually limited it to its facts."

But when the main purpose of the interrogation is to prevent terrorist attacks, the magnitude of the danger argues for a broader public safety exception, as Rowley implied in her letter.

Congress should neither wait for the justices to clarify the law nor assume that they will reach the right conclusions without prodding. It should make the rules as clear as possible as soon as possible. Officials like Rowley need to know that they are free to interrogate suspected terrorists more aggressively than they suppose. While a law expanding the public safety exception to *Miranda* would be challenged as unconstitutional, it would contradict no existing Supreme Court precedent and—if carefully calibrated to apply only when the immediate purpose is to save lives—would probably be upheld.

Would investigators routinely ignore *Miranda* and engage in coercive interrogation—perhaps extorting false confessions—if told that the legal restraints were far looser than had been supposed? The risk would not be significantly greater than it is now. Police would still need to comply with *Miranda* in almost all cases for fear of jeopardizing any prosecution. While that would not be true in terrorism investigations if the public safety exception were broadened, extreme abuses such as beatings and torture would violate the due process clause of the Fifth Amendment (and of the Fourteenth Amendment as well), which has been construed as barring interrogation techniques that "shock the conscience," and is backed up by administrative penalties and the threat of civil lawsuits.

The case for some kind of preventive detention has never been as strong. Al-Qaida's capacity to inflict catastrophic carnage dwarfs any previous domestic threat.

Bringing Preventive Detention inside the Law

Of all the erosions of civil liberties that must be considered since September 11, preventive detention—incarcerating people because of their perceived dangerousness even when they are neither convicted nor charged with any crime—would represent the sharpest departure from centuries of Anglo-American jurisprudence and come closest to police statism.

But the case for some kind of preventive detention has never been as strong. Al-Qaida's capacity to inflict catastrophic carnage dwarfs any previous domestic security threat. Its "sleeper" agents are trained to avoid criminal activities that might arouse suspicion. So the careful ones cannot be arrested on criminal charges until it is too late. And their lust for martyrdom renders criminal punishment ineffective as a deterrent.

Without preventive detention, the Bush administration would apparently have no solid legal basis for holding the two U.S. citizens in military brigs in this country as suspected "enemy combatants"—or for holding the more than 500 noncitizens at Guantanamo Bay. Nor would it have had a solid legal basis for detaining any of the 19 September 11 hijackers if it had suspected them of links to al-Qaida before they struck. Nor could it legally have detained Moussaoui—who was suspected of terrorist intent but was implicated in no provable crime or conspiracy—had he had not overstayed his visa.

What should the government do when it is convinced of a suspect's terrorist intent but lacks admissible evidence of any crime? Or when a criminal trial would blow vital intelligence secrets? Or when ambiguous evidence makes it a tossup whether a suspect is harmless or an al-Qaidan? What should it do with suspects like Jose Padilla, who was arrested in Chicago and is now in military detention because he is suspected of (but not charged with) plotting a radioactive "dirty-bomb" attack on Washington, D.C.? Or with a (hypothetical) Pakistani graduate student in chemistry, otherwise unremarkable, who has downloaded articles about how terrorists might use small planes to start an anthrax epidemic and shown an intense but unexplained interest in crop-dusters?

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Only four options exist. Let such suspects go about their business unmonitored until (perhaps) they commit mass murders; assign agents to tail them until (perhaps) they give the agents the slip; bring prosecutions without solid evidence and risk acquittals; and preventive detention. The last could theoretically include not only incarceration but milder restraints such as house arrest or restriction to certain areas combined with agreement to carry (or to be implanted with) a device enabling the government to track the suspect's movements at all times.

As an alternative to preventive detention, Congress could seek to facilitate prosecutions of suspected "sleepers" by allowing use of now-inadmissible and secret evidence and stretching the already broad concept of criminal conspiracy so far as to make it almost a thought crime. But that would have a harsher effect on innocent terrorism suspects than would preventive detention and could weaken protections for all criminal defendants.

As Alan Dershowitz notes, "[N]o civilized nation confronting serious danger has ever relied exclusively on criminal convictions for past offenses. Every country has introduced, by one means or another, a system of preventive or administrative detention for persons who are thought to be dangerous but who might not be convictable under the conventional criminal law."

The best argument against preventive detention of suspected international terrorists is history's warning that the system will be abused, could expand inexorably—especially in the panic that might follow future attacks—and has such terrifying potential for infecting the entire criminal justice system and undermining our Bill of Rights that we should never start down that road. What is terrorist intent, and how may it be proved? Through a suspect's advocacy of a terrorist group's cause? Association with its members or sympathizers? If preventive detention is okay for people suspected of (but not charged with) terrorist intent, what about people suspected of homicidal intent, or violent proclivities, or dealing drugs?

These are serious concerns. But the dangers of punishing dissident speech, guilt by association, and overuse of preventive detention could be controlled by careful legislation. This would not be the first exception to the general rule against preventive detention. The others have worked fairly well. They include pretrial detention without bail of criminal defendants found to be dangerous, civil commitment of people found dangerous by reason of mental illness, and medical quarantines, a practice that may once again be necessary in the event of bioterrorism. All in all, the danger that a preventive-detention regime for suspected terrorists would take us too far down the slippery slope toward police statism is simply not as bad as the danger of letting would-be mass murderers roam the country.

In any event, we already have a preventive-detention regime for suspected international terrorists—three regimes, in fact, all created and controlled by the Bush administration without congressional input. First, two U.S. citizens—Jose Padilla, the suspected would-be dirty bomber arrested in Chicago, and Yaser Esam Hamdi, a Louisiana-born Saudi Arabian captured in Afghanistan and taken first to Guantanamo—have been in military brigs in this country for many months without being charged with any crime or allowed to see any lawyer or any judge. The administration claims that it never has to prove anything to anyone. It says that even U.S. citizens arrested in this country—who may have far stronger grounds than battlefield detainees for denying that they are enemy combatants—are entitled to no due process whatever once the government puts that label on them. This argument is virtually unprecedented, wrong as a matter of law, and indefensible as a matter of policy.

Second, Attorney General John Ashcroft rounded up more than 1,100 mostly Muslim noncitizens in the fall of 2001, which involved preventive detention in many cases although they were charged with immigration violations or crimes (mostly minor) or held under the material witness statute. This when-in-doubt-detain approach effectively reversed the presumption of innocence in the hope of disrupting any planned follow-up attacks. We may never know whether it succeeded in this vital objective. But the legal and moral bases for holding hundreds of apparently harmless detainees, sometimes without access to legal counsel, in conditions of unprecedented secrecy, seemed less and less plausible as weeks and months went by. Worse, the administration treated many (if not most) of the detainees shabbily and some abusively. (By mid-2002, the vast majority had been deported or released.)

Third, the Pentagon has incarcerated hundreds of Arab and other prisoners captured in Afghanistan at Guantanamo, apparently to avoid the jurisdiction of all courts—and has refused to create a fair, credible process for determining which are in fact enemy combatants and which of those are "unlawful."

These three regimes have been implemented with little regard for the law, for the rights of the many (mostly former) detainees who are probably innocent, or for international opinion. It is time for Congress to step in—to authorize a regime of temporary preventive detention for suspected international terrorists, while circumscribing that regime and specifying strong safeguards against abuse.

Civil Liberties for a New Era

It is senseless to adhere to overly broad restrictions imposed by decades-old civil-liberties rules when confronting the threat of unprecedented carnage at the hands of modern terrorists. In the words of Harvard Law School's Laurence H. Tribe, "The old adage that it is better to free 100 guilty men than to imprison one innocent describes a calculus that our Constitution—which is no suicide pact—does not impose on government when the 100 who are freed belong to terrorist cells that slaughter innocent civilians, and may well have access to chemical, biological, or nuclear weapons." The question is not whether we should increase governmental power to meet such dangers. The question is how much. ■

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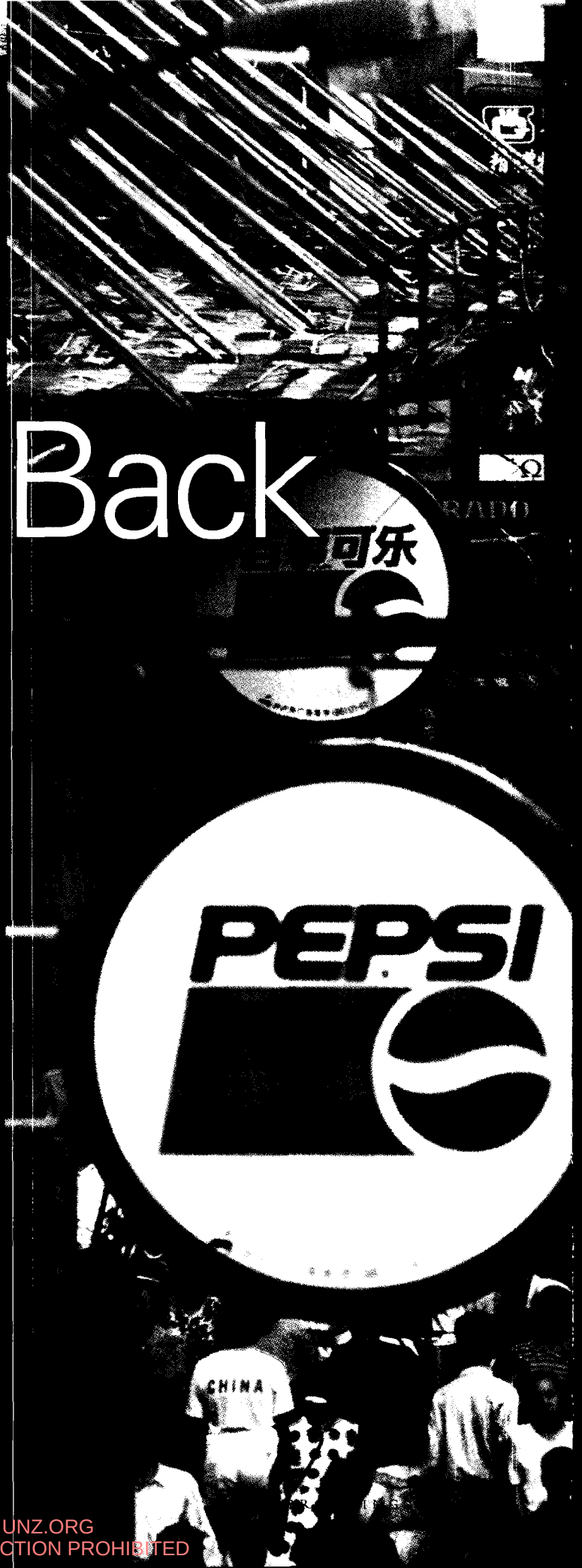
No Back

America's International Economic Agenda for 2003–05



September 11 was a defining event for America's international economic posture. International engagement, we now know, is not a matter up for debate but a fact of our times. Securing the U.S. homeland will require extensive cooperation from nations around the world and a sustained effort to strengthen the perceived legitimacy of America's preeminence in the international economic order. Now more than ever, it is important to demonstrate that combating international poverty and promoting vibrant international trade and capital flows are in the mutual self-interest of America and its foreign partners.

Lael Brainard is a senior fellow in the Brookings Economic Studies and Foreign Policy Studies programs. Robert E. Litan is vice president and director of the Brookings Economic Studies program.

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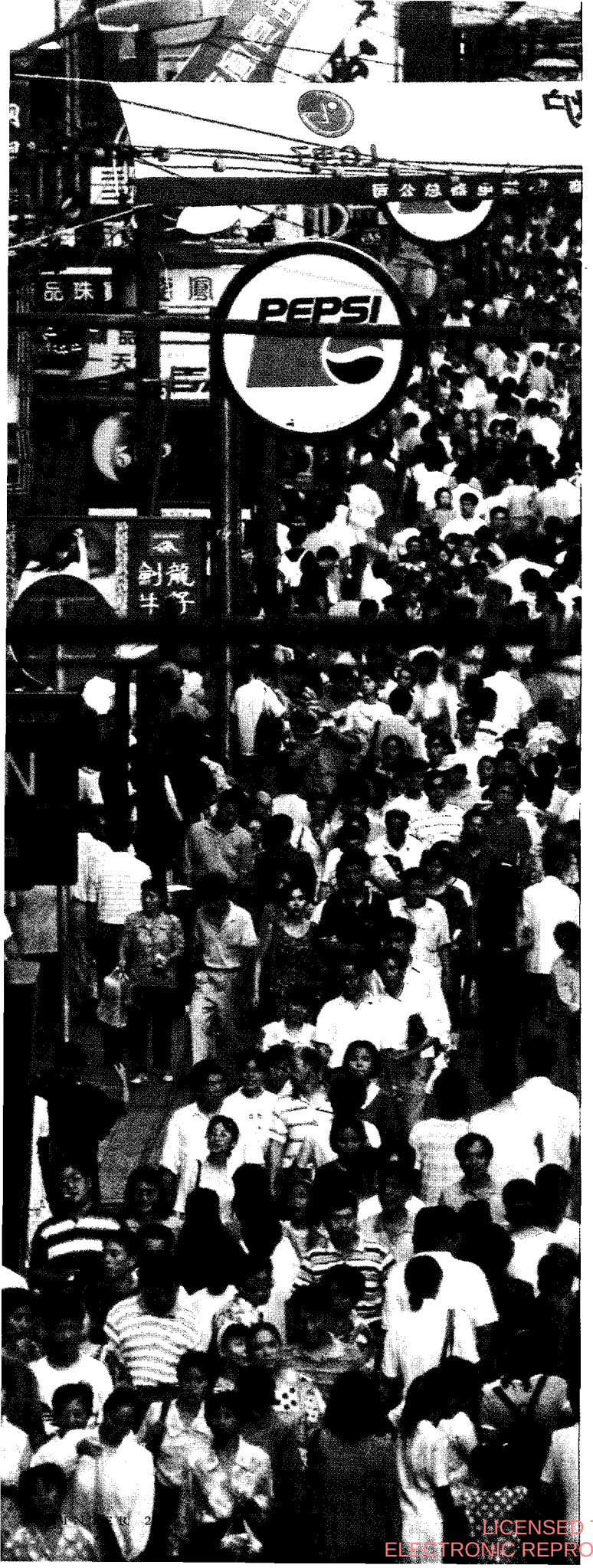

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Fighting International Poverty

U.S. spending to fight world poverty plummeted during the 1990s. With the Cold War's end, policymakers lost interest in using foreign aid to fight communism. And disillusionment about aid's effectiveness was widespread. Aid critics contrasted the stunning economic success of East Asia, where aid has amounted to less than 2 percent of GDP, with the poor performance of the aid-dependent states of sub-Saharan Africa, where aid flows have exceeded 10 percent of GNP for several decades. This seeming contradiction may help explain why U.S. development aid, which had been more than 3 percent of total budget outlays in 1962, had fallen to roughly one-half of 1 percent by 2001.

Now the pendulum may be swinging the other way. Aid activists have learned to mobilize public support by using celebrities to back a simple, compelling goal—as when the global rock star Bono, of U2, made common cause with the pope in 1998 to persuade leaders of the richest nations to forgive the debt of the poorest nations. And the campaign against terrorism has provided a potentially powerful political rationale for foreign assistance—namely, that by strengthening foreign economies, aid may help weaken incentives for their residents to turn to terrorism.

The shift in the politics of aid and its heightened public salience present a tantalizing opportunity to make real progress in fighting global poverty. But it is critical to invest aid funds effectively and to be realistic about what aid can accomplish. The post–September 11 security rationale for development aid, for example, is far from airtight. The masterminds and key actors in the attacks were largely from middle-class backgrounds in the relatively more affluent societies of the Middle East. Their dissatisfaction is more likely rooted in frustration with the political and economic paralysis in their societies than in poverty per se. Yet poverty surely is a critical ingredient in failed states such as Afghanistan and Somalia that host terrorist training camps, and poor education coupled with despair helps explain the resonance of terrorist ideology in the Islamic world.

In the future, aid allocations should be driven primarily by an economic rationale—whether aid is likely to generate economic growth. Experience suggests that aid is most likely to spur growth when national leaders are committed to reform, governance is transparent and accountable, macroeconomic policies are sound, and the aid is more likely to add to national investment than merely to substitute for local investment.

Moreover, aid works best when it respects the power of the market. Previous "silver bullet" approaches that sought to supplant market mechanisms—forced industrialization, investing in industrial infrastructure—proved disappointing. Effective aid policies address market failures and align market returns with social returns.

In recent years, the share of total world aid devoted to investments in health, education, and sanitation has risen to nearly one-third (and nearly one-half for U.S. bilateral aid)—an emphasis consistent with both good economics and development experience. Aid is effective in these arenas because the

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market underprovides these socially valuable "public goods" whose benefits are spread so broadly that individuals do not have the incentive to pay the costs. Thus, the strong humanitarian case for development aid in providing public goods in the poorest nations is joined by a compelling economic case for action.

A strong public-goods case can also be made for aid that advances scientific knowledge in areas such as agriculture and medicine, where weak demand for innovations in the poorest nations leads to large gaps between their potential social value and their apparent market value. In wealthy nations, governments combine public funding for basic research and development with targeted protection for resulting intellectual property to encourage the development of scientific knowledge commensurate with its social value. But poor nations have few

public resources to subsidize research, and intellectual property investments offer little promise of private returns. Thus, a key challenge for international development is to establish incentives for the global production of scientific knowledge tailored to the needs of poor nations.

For example, the United States may need to fine-tune intellectual property protection for pharmaceuticals. Intellectual property laws are designed to strike a balance between two competing needs—encouraging innovation and making valuable knowledge widely accessible. In recent years, efforts by the United States to extend these protections to the international level have come under attack for denying lifesaving medicines to the poorest nations. Indeed, there is some tension between boosting research on diseases disproportionately afflicting the poor and making medicines more accessible to poor nations. Extending the time a given producer enjoys an intellectual property monopoly on a particular drug encourages greater research effort. But making the drug broadly accessible requires pricing it at cost, which undercuts the value of the monopoly. For a limited class of internationally agreed health emergencies, where medicines are already in production in response to demand in rich nations, these goals can be reconciled by segmenting markets in rich and poor nations. Pharmaceutical producers could maintain their profit margins in wealthier markets if their governments prohibited "parallel" imports of their drugs from poor countries. And poor countries could get medicines at close to cost directly from the pharmaceutical company or from local or third-country generic producers.

Emerging International Consensus on Aid

Aid programs historically have been driven by the diverse agendas of donor countries. In a break with tradition, broad international agreement has recently emerged that aid is most effective when beneficiary countries are heavily involved in shaping development programs and priorities. It may now be possible to reorient the aid process around comprehensive national strategies designed by beneficiary governments in an open process involving key stakeholders. The World Bank's new Poverty Reduction and Growth Framework, established to direct resources freed up by debt forgiveness toward nationally determined social investments, reflects this new orientation. In the new framework, beneficiary nations present spending plans and assistance needs as part of an overall strategy to reduce poverty, thus ensuring that domestic budget resources reinforce the same priorities as aid.

Recent years have also seen an emerging consensus on the highest-priority programmatic areas for development aid. The consensus is broadly reflected in the eight development goals adopted in September 2000 at the United Nations Millennium Summit, for achievement by 2015. The goals—to eradicate extreme poverty and hunger; promote gender equality; achieve universal primary education; reduce child mortality; improve maternal health; combat HIV/AIDS, malaria, and other diseases; ensure environmental sustainability; and develop a global partnership for development—were specified in terms of 18 targets linked in turn to measurable results. One target, for example, was to halve the share of people whose income is less than one dollar a day.

Achieving these goals will be expensive. A group chaired by former Mexican President Ernesto Zedillo has put the price

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tag at an additional $50 billion a year—roughly double the current annual aid contributions of $53 billion, $30 billion of which goes to the world's poorest nations. Of the added resources, $12 billion would go for education, $10 billion for health, and $20 billion to fighting poverty. The U.S. share would range somewhere between $8.5 billion and $20.7 billion a year—the low end based on the U.S. share of IMF and World Bank capital, the high end reflecting the 41.3 percent U.S. share of the total GDP of industrialized donor countries.

The Bush administration has pledged to increase bilateral development aid by $5 billion a year by 2006 and to provide the new funding through a Millennium Challenge Account. Recipients would have to meet eligibility criteria in the areas of good governance, economic freedom, and investment in health and education. Continued access to funds would be contingent on measurable results. The administration's announcement of the new aid was greeted by applause from aid advocates and officials from poor nations—but also by an undercurrent of skepticism along the lines of "Show me the money." Some advocates have suggested a fiscal year 2003 down payment. Aid requests from the administration, however, have essentially held steady at historically low shares of the budget in the past two fiscal years. And the few areas that have seen increased funding—such as combating international HIV/AIDS—have come partly at the expense of spending on malaria and tuberculosis, rather than as net increases. Even on HIV/AIDS, the administration has resisted funding increases proposed by Congress.

Strengthening the Trading System

After growing a record 12.5 percent in 2000, world trade grew less than 2 percent in 2001. Foreign direct investment flows, which reached a record $1.3 trillion in 2000, are estimated to have fallen by half in 2001, the sharpest drop in three decades. Most experts see little or no link between these sharp declines and the events of September 11 and attribute them instead to economic slowdowns in the United States, European Union, and Japan, as well as the information technology collapse.

Nonetheless, September 11 was a wake-up call for many trade supporters worldwide. It reinforced the direct interest of the wealthier nations in strengthening the trading system by rectifying the perceived inequities that prevent millions of the world's poor from reaping the potential benefits of globalization.

A key question now is whether the new security environment will signal a sustained shift in the terms of the U.S. debate to a broader definition of America's national interest. Sensing the opportunity, U.S. Trade Representative Robert Zoellick lost no time in proclaiming trade to be central to America's campaign against terror. President Bush used even stronger terms: "The terrorists attacked the World Trade Center, and we will defeat them by expanding and encouraging world trade."

After September 11, U.S. Trade Representative Robert Zoellick lost no time in proclaiming trade to be central to America's campaign against terror.

But together, the terrorist attacks and the deepening of recession in the United States and around the world upped the ante on both sides of the trade debate. With the United States experiencing the first surge of unemployment in years and with the manufacturing sector hit particularly hard, domestic concerns moved front and center.

The post–September 11 emphasis on international coalition building created enormous momentum for the successful launch of global trade talks at the World Trade Organization meeting in Doha, Qatar, in November 2001. Success became a political imperative. Although the decision to hold the talks in Qatar, one of a handful of WTO member-states from the Middle East, had been made long before, the determination to follow through was courageous and symbolically important. Moreover, as evidenced by the term used to describe the outcome, "the Doha Development Agenda," the tenor of discussions at Doha tipped the balance on the margins toward the developing world. Both the European Union and the United States made important concessions to the developing countries to ensure a successful launch. But the advanced nations will be hard-pressed to deliver on their promises, given the high domestic sensitivities of the sectors likely to be affected by most controversial subject areas—the farm sector, textiles, and environmental and labor standards.

In 2002, following eight years of stalemate, Congress granted the president trade promotion authority—whereby Congress agrees to streamline its approval process for future trade agreements in return for enhanced oversight of negotiations. But the vote by the House of Representatives was highly partisan and won by a razor-thin margin of three votes, purchased at the expense of concrete up-front concessions in the form of trade-restrictive measures. The process left a deep divide at home and left foreign trading partners questioning the value of the U.S. promise to negotiate future trade opening in the face of immediate trade rollbacks.

Still, both the Doha agreement and TPA are important commitments to proceed with trade negotiations—which will inevitably require concessions in specific sectors where identifiable jobs and livelihoods are directly on the line. And so far, whenever concrete sectoral trade-offs have arisen—whether on farm subsidies, steel safeguards, Canadian lumber, or textiles access—the Bush administration has decided in favor of domestic sectoral interests.

The United States is by no means unique in this gap between its broader geostrategic aims and its willingness to accept painful sectoral dislocation when the economy is under stress. Both the European Union and Japan have been under tremendous pressure from their farm sectors to oppose opening agriculture to international competition.

Sustaining a focus on smoothing the rough edges of the

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global trading system, addressing inequities in global governance, and helping to give the world's poorest citizens a stake in the international system is as difficult as it is important. Even the compelling national security rationale of vanquishing terrorism may not be enough to overcome the intense domestic pressures. Trade policy presents knotty trade-offs between the losses faced by those whose jobs and companies are vulnerable to international competition and the greater but more diffuse national interest in a more competitive and productive economy—and in promoting a more peaceful, prosperous, and equitable world.

The potential worldwide gains from trade are quite impressive. The IMF puts the gains from eliminating all barriers to merchandise trade in a range from $250 billion to $680 billion a year. Developing countries would stand to gain the most in relation to GDP, with one-third of the total gains accruing to the poorest countries. The World Bank values comprehensive trade reform at $350 billion overall, with half accruing to developing nations. The value of total agricultural support by governments in industrialized countries is more than $300 billion a year, more than five times higher than spending on foreign development aid and more than the entire GNP of sub-Saharan Africa. Cuts in these subsidies could materially improve the livelihoods of the three-quarters of the world's poor who live in rural areas. Cutting barriers to services trade would produce a further annual global gain of $250 billion, most of it accruing to the developing world. The World Bank's chief economist estimates that trade protection in the rich nations costs the developing nations more than $100 billion a year—twice the value of the international aid they receive.

International Finance

The first half of the 1990s saw remarkable progress in integrating the so-called emerging markets and transition economies into the international financial system. Private capital flows to emerging markets rose from $46 billion in 1990 to $235 billion in 1996. But as a series of damaging financial crises—Mexico in 1995; Southeast Asia, Russia, and Brazil in 1997–99; and Argentina, Turkey, and Brazil, among others, in 2002—make clear, sustaining that progress will not be easy. Important challenges are yet to be resolved.

The issues arising out of these crises are of direct interest to U.S. policymakers and citizens for several reasons. First, with world financial markets tightly linked and shifts in investor sentiment sudden and sharp, the U.S. economy can be adversely affected by instability far from our shores. Second, the United States has a strong national security interest in avoiding financial and often political crises in key allies, such as South Korea and Thailand in 1998 and Turkey and Argentina in 2001. Third, the United States is the principal financial supporter of the two international financial institutions—the International Monetary Fund and the World Bank—whose resources have been mobilized to prevent these crises from spinning out of control.

The typical policy reaction to financial crises—hard currency loans from the IMF and other sources coupled with broad conditions on how recipient governments must operate their economies—has become increasingly controversial. In 2000, a congressional commission, headed by Alan Meltzer of Carnegie Mellon University, concluded that the "bailout with conditionality" policy was making things worse rather than better by encouraging lenders and borrowers to believe that an international rescue effort always would be mounted to prevent lenders from suffering any loss. The commission recommended radically scaling back IMF lending and cutting back on the conditions accompanying loans.

Policy has, in fits and starts, moved in this direction—though driven more by the complex realities of the financial markets than by the commission's recommendations. The IMF has adopted policy reforms to reduce the likelihood and severity of crises and their potential worldwide impact. Perhaps most important, countries that have undergone crisis have abandoned fixed exchange rates and now allow the market (more or less) to determine the rate of exchange. Flexible rates require both borrowers and lenders to take account of the risk of future currency movements as well as the risk of nonrepayment.

The financial crises also led to institutional reforms. The IMF is better funded and somewhat more transparent. The governance of the international financial system has been strengthened by the creation of a new steering group that includes important emerging markets and the largest advanced economies. Several key creditor governments are pressing the IMF to narrow its focus to crisis prevention and response and to scale back the medium-term balance-of-payments financing that has made too many countries virtual dependents of the Fund.

Policymakers have continued to debate whether financial crises should be resolved by bailing out borrowing countries or by "bailing in" private investors by suspending debt payments. During the second half of the 1990s, policymakers tried many approaches to private-sector involvement, mostly out of desperation rather than by design and only after substantial sums had been spent. The bail-ins ranged from purely "voluntary" exchanges (which failed) to "concerted" rollovers blessed and orchestrated by the international financial authorities to unilateral exchanges dictated by debtor governments without an international seal of approval. Increasingly, private-sector involvement is being acknowledged as a vital lever in crisis resolution—a recognition that official resources are more and more outgunned by private capital.

Institutionalizing this new presumption is proving thorny. The absence of a world bankruptcy regime makes it difficult to develop rules that would encourage investors to make better risk assessments but not exacerbate creditor panic at moments of financial precariousness. Since 1999, private-sector involvement has been a prominent feature of most sizable stabilization programs, with the particulars being worked out on a case-by-case basis.

Meanwhile, investor expectations have shifted to incorporate a higher probability that their claims will be restructured in the event of losses. Indeed, the dominant concern by 2002 was no longer that too much money is sloshing around the

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emerging markets but that capital flows have been drastically, perhaps excessively, reduced.

Adjustment among the Advanced Economies

Today risks are also being posed by the industrial countries—a problem that no amount of IMF reform is likely to fix, for the Fund has no leverage over countries that are not borrowers.

The potential for disorderly adjustment in America's growing external imbalance cannot be lightly dismissed. During the late 1990s, the United States was a magnet for foreign capital, attracting much of the world's international capital flows. With strong productivity growth and a booming stock market, America seemed like a great investment. Against a backdrop of stagnation in Japan, slower growth in Europe, and diminishing appetite for exposure to emerging markets, the dollar strengthened by 30 percent against the yen between late 1999 and early 2002 and by 36 percent against the euro between its introduction in early 1999 and early 2002. The flip side of this equation is a growing current account deficit, which has remained at or above 3.9 percent of GDP since 2000, reaching 5 percent in the second quarter of 2002.

When the current account deficit last exceeded 3.4 percent of GDP (in 1987), it precipitated a sharp drop in the dollar and a delayed fall in the current account, which returned below 2 percent in 1989. The current circumstances could likewise presage volatility and a sharp adjustment at a time when weakness in the U.S. stock market threatens recovery and causes foreign investors to flee. At the same time, projected financing needs of the federal government have increased sharply, with a $236 billion surplus turning to a $106 billion deficit in just two years and continued deficits projected through 2004. Meanwhile the dollar tumbled roughly 12 percent against the yen and the euro between February and July of 2002. The share of foreign capital coming into the U.S. market as direct investment or committed capital fell from 39 percent in 1998 to 17 percent in 2001, suggesting that a much larger share of external borrowing is being financed by short-term capital or "hot money" that can reverse direction rapidly.

In late 2001 and throughout 2002 the United States found itself at the center of one of the worst crises in corporate governance and transparency since the Great Depression. The crisis—reflected most graphically in a steep fall in stock prices during much of 2002—was triggered by the failure of Enron and followed shortly thereafter by disclosures of accounting errors at WorldCom, Xerox, Merck, Bristol-Myers Squibb, and other companies. With each new disclosure, investors, commentators, and the public seemed to lose ever more confidence in the system of corporate disclosure and governance that only a few years back had seemed to be the best in the world. After serving as a safe haven for foreign investors throughout the 1980s and 1990s, U.S. markets suddenly lost their appeal. Portfolio and direct investment from abroad plummeted by nearly half, from annual rates of $686 billion in 2000 to $361 billion in the first quarter of 2002.

The World Bank's chief economist estimates that trade protection in the rich nations costs the developing nations more than $100 billion a year—twice the value of the international aid they receive.

By last summer, Congress had enacted and the president had signed sweeping reform legislation that created a new quasi-government agency to oversee the auditing profession; restricted auditors from engaging in nonaudit businesses; toughened criminal and other penalties for corporate fraud and misrepresentations; speeded up disclosure of insider trading of securities; and prohibited corporate loans to executives. Earlier the Securities and Exchange Commission had implemented new disclosure requirements, and the New York Stock Exchange had proposed sweeping corporate governance reforms for companies listed on the exchange that required a majority of board directors to be independent; shareholders to approve executive compensation packages; and audit committees of boards of directors to hire and fire outside auditors.

One key unresolved issue is whether the United States will continue to require all publicly held companies whose shares are traded here to report their financial condition according to Generally Accepted Accounting Principles (GAAP) or permit foreign (and domestic) companies to use the International Accounting Standards (IAS) that are being accepted elsewhere around the world. The Enron affair gave impetus to advocates of IAS, who claimed that Enron would not have been able to expand so rapidly—and take on so much debt—had it been required by IAS to consolidate its many off–balance sheet entities. The growing globalization of capital markets also seems to strengthen the case for a single set of reporting standards worldwide, which is what IAS is well on the way to becoming.

There are two views on what should be done. The dominant one is that the two standards should continue to coexist but more closely approach one another. A minority view (to which one of us subscribes) is that competition between the two is healthy and if allowed to proceed—for example, by governments or exchanges allowing companies to use either standard without restriction—then demand by investors for useful disclosure would keep both standard-setting bodies on their toes. Perhaps most important, competition between the standards could reduce the role of political influence, which has been apparent in the setting of U.S. GAAP for some time.

An Urgent Question

September 11 brought a new urgency and heightened focus to the debate over America's international engagement—its roles in development assistance, world trade, and the international financial system. Today the question is not *whether* the United States should remain engaged, politically and economically, with the rest of the world in all these areas. The question—which urgently needs answering—is *how*. ■

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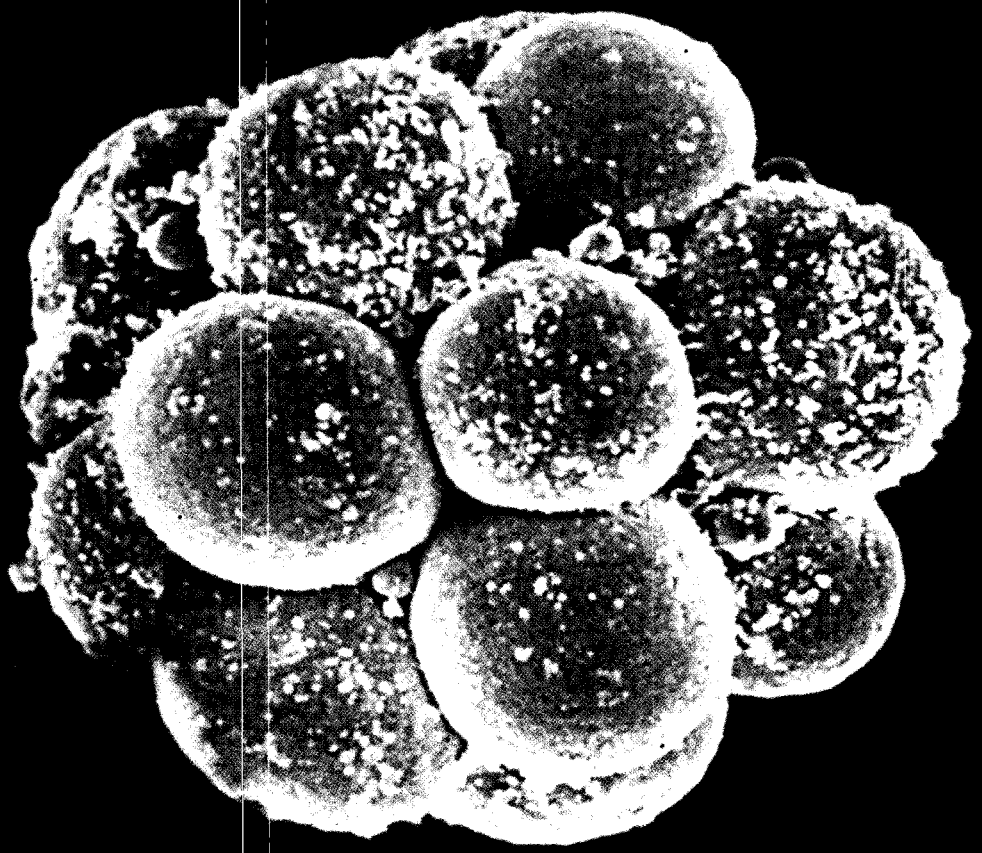

Regenerative Medi

A FUTURE HEALING ART

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The era of regenerative medicine is upon us. Rapidly advancing medical knowledge is leading to the development of powerful new gene-based therapies that will transform medical practice, allowing most people to live much longer and healthier lives.

William A. Haseltine, chairman and CEO of Human Genome Sciences, Inc., is a member of the Brookings board of trustees.

By William A. Haseltine

Unlike most medicines today, regenerative medicines use human cells and substances to regrow tissue. Early forms are already in use. Some 30 drugs based on human proteins are approved for sale in the United States, as are several therapies that contain human cells. But today's protein and cell-based drugs are merely the harbingers of what is to come.

Over the past decade, the new science of genomics has made it possible to identify thousands of previously unknown human proteins. Thanks to high-speed, high-capacity laboratory robots, we can make those proteins in pure form, using standard biotechnology techniques. We can test their effects on human cells with relative ease and then evaluate the proteins that have potentially useful medical properties as possible cures. Today, many human-protein drugs identified through genomics are being evaluated in clinical trials.

There are four broad types of regenerative medicine: human substances (proteins and genes), cells and tissues, embryonic stem cells, and novel materials.

Human Substances

The first type of regenerative medicine involves the use of human proteins and genes as drugs. The proteins are generally made using recombinant DNA technology, sometimes known as gene splicing. Genes are chemical instructions that enable a cell to make a specific substance. If we transfer a functioning human gene into a cell that we

DR. YORGOS NIKAS/PHOTORESEARCHERS

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can easily culture in large numbers, those cells will produce the desired human substance, often a hormone, in industrial quantities. Proteins made this way, unlike those extracted from human tissues, will not transmit infectious agents from a donor.

Current type 1 regenerative medicines include such important recombinant drugs as human insulin, interferon, human growth hormone, and erythropoietin, a substance that stimulates the formation of red blood cells. Because the body readily accepts another person's purified substances, protein drugs made from one person's gene can treat anyone. No major technical barriers remain to developing new human-protein drugs.

Some therapeutic proteins substitute for ones that patients cannot make themselves. Most patients with insulin-dependent diabetes, for example, now use recombinant human insulin to compensate for their inability to make insulin, thereby regaining control over the amount of sugar in their blood. Other therapeutic proteins supplement the body's own inadequate production. Extra erythropoietin, for example, stimulates production of red blood cells in people undergoing chemotherapy for cancer and in people with kidney disease. Several types of supplemental recombinant interferon are now major pharmaceutical products. Interferon alpha is used to treat hepatitis and cancer; it stimulates the immune system to fight disease. Interferon beta treats multiple sclerosis, a disease in which a patient's immune system erroneously attacks his or her brain and spinal cord. It blunts the immune system's attack on the nervous system, easing patients' symptoms and probably lengthening lives.

Many more of the thousands of human proteins revealed by genomics are likely to have profound medical effects. The Human Genome Project, an international effort funded by governments and private organizations, recently produced a map and a draft text of the entirety of our human genetic information, known as the genome. Although much work remains before a definitive version is available, the effort will in time place all human substances within our grasp.

The Human Genome Project produces data about genes in their stored form in our chromosomes. Recognizing genes in this stored form is difficult, and many thousands of genes, known to exist through independent investigations, have thus far eluded the project. Researchers at my company, Human Genome Sciences, focus on isolating the active form of genes—so-called messenger RNA—that is produced only in a cell that is using the gene. They then convert the messenger RNA to a stable chemical copy, called a cDNA, which they examine to learn which genes are active in a variety of healthy and diseased tissues. The approach offers a rapid route to regenerative medicines. Our cDNAs have already yielded genes and proteins that function as active therapeutics.

Having identified, for example, chemical signals that the body uses to stimulate the formation of new skin, we now manufacture one of those signal substances as a healing protein drug called repifermin. Repifermin's demonstrated ability to heal leg ulcers is being further tested, and the drug is being evaluated as a treatment for chemotherapy-induced ulcers in the mouth and intestines.

Another Human Genome Sciences protein drug, called BLyS (pronounced "Bliss"), is an important, natural hormone that boosts blood levels of antibodies, specialized proteins that bind exceedingly tightly to a specific molecular target. We are testing BLyS as a treatment for diseases in which patients produce too few antibodies, making them more susceptible to disease.

Indeed, antibodies, an essential arm of the immune system, are themselves used as a form of type 1 regenerative medicine. Their ability to bind to a target tightly allows them to inactivate harmful substances in the body and makes them valuable for treating autoimmune illnesses like rheumatoid arthritis and Crohn's disease, which are triggered by an overreaction of the immune system. Medicine can also create antibodies that bind to and activate specific receptors on cells. That binding property makes it possible to activate a receptor without using the natural protein that would normally bind to it. This is a sound strategy when the natural protein is unsuitable for use as a drug. For example, Human Genome Sciences has been approved to test in patients an antibody that binds to the so-called Trail 1 "death receptor" found on cancer cells. When a natural protein called Trail binds to the receptor, the cancer cells die. Trail itself cannot be used as a drug, but our antibody mimics its effects; it may become an important medicine for several types of cancer.

For some conditions, regenerative medicine will use genes themselves as medicines. Genes last indefinitely in cells, meaning that once a therapeutic extra gene is in place in a cell, the effects should last as long as the cell does—months or even years—thus eliminating the need for frequent medication. Several perplexing problems, however, still bedevil gene therapy, making its future somewhat uncertain. For example, it is a challenge to protect genes, once they are inserted, from the body's defenses, and to direct them to the place in the body where they would do the most good. Although gene therapies have produced good results in clinical tests with a small number of patients, it could be many years before they are widely used.

Conventional, chemically based drugs serve mostly as temporary supports for the body's failing chemistry. They usually do not repair what is wrong. If a patient with a tendency to depression stops taking medication, for example, the depression returns. Nor do chemically based drugs regenerate injured or worn tissues. Regenerative medicine, by contrast, has the potential to cure disease, because it can bring about long-lasting changes in the body that are tailored to a particular ailment. Regenerative medicines generally also have less toxic effects than chemical drugs, because they are based on natural substances. They are also less likely to cause dangerous side effects when used in combination with other drugs.

The many drugs based on human

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substances such as hormones, antibodies, and genes that are now being tested are only the beginning of what will become a far-reaching revolution.

Cells and Tissues

As we become comfortable using human substances as medicines, we are also starting to use human cells as medicine. In type 2 regenerative medicine, cells will be removed from the body, grown in culture, then reintroduced into patients.

Type 2 regenerative medicine is often referred to as a form of tissue engineering. The field evolved from reconstructive surgery, the rebuilding of damaged body parts. Tissue engineering takes two forms. One involves building an organ or tissue outside the body by combining human cells with appropriate materials, often a scaffold-like structure to provide support. The other involves growing suitable cells in laboratory flasks, then injecting them into a tissue needing repair. The cells can often find their own way to the sites where they are needed. Some of the human substances discovered in type 1 help in type 2, because they can direct cells to change, migrate, and divide.

Progress in tissue engineering is accelerating dramatically. The need for replacement organs and tissues is growing, driven in part by the aging of the population. Among older people, diseased or worn-out muscle, bone, cartilage, nerves, digestive systems, skin, and brain cells may all benefit from cell-based interventions. We can already culture many human cells, including elusive but powerful adult stem cells, outside the body. Adult stem cells have prized potential for healing because they can renew themselves indefinitely.

The secret of growing many replacement tissues seems to lie in providing intricate scaffolds, foundations on which cells may grow. Several natural and synthetic substances are proving valuable for creating structures that mimic natural scaffolds, and we are rapidly learning how to use such structures to create working tissues.

Companies now use human cells to make artificial skin, a product that has considerably improved care of burn victims. Another firm prepares a cell-based therapy for joint repair from patients' own cultured cells. Scientists can also grow new blood vessels in the laboratory, as well as cardiac muscle, corneas, and parts of the alimentary canal, the urogenital system, liver, and kidney. Clinicians are starting to implant these new tissues into patients.

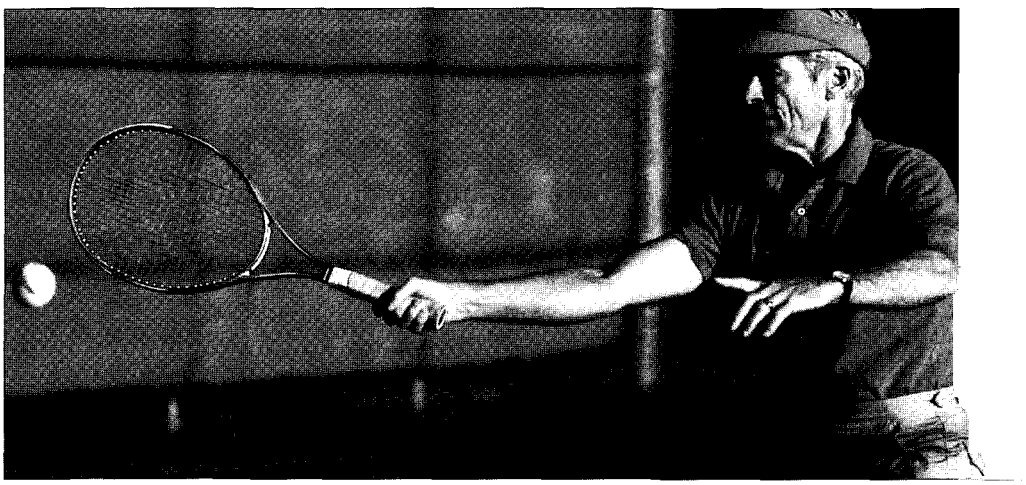
Bone marrow transplants have for decades been used to regenerate marrow tissue destroyed by chemotherapy and radiotherapy. Surgeons rescue patients by transplanting replacement bone marrow stem cells, which migrate to suitable sites in the bones and permanently spawn new blood cells. This therapy gives hope that we will be able to develop many more adult stem cell therapies.

Indeed, bone marrow stem cells appear to have greater potential than anyone suspected, for they can apparently turn into other types of stem cells. Stem cells of various kinds are under investigation for repairing injuries to the spinal cord, bone, brain, and other organs. Brain stem cells are showing particular promise. Isolating enough stem cells is often a challenge, so bone marrow stem cells may play an important role as progenitors of multiple stem cell types.

Patients who receive medicines derived from cells that are not their own must sometimes be given immunosuppressive drugs to prevent rejection of the foreign cells. Yet not all types of tissue prompt immune rejection, so for some tissue transplants immunosuppressive drugs are unnecessary. Furthermore, banks of tissues with diverse immune characteristics will likely be established, making it possible to select a close match for any given patient's tissue. Type 2 regenerative medicine therapies may well find widespread application within the next decade. Brain stem cells may find broad uses even sooner.

Eventually, many more types of stem cells will be in medical use. And developments in materials science suggest we will be able to use cells in more varied ways before long. Evolving fabrication techniques could soon make it possible to engineer scaffolds to a precision of a few atomic diameters. Materials made with such precision—comparable to that of the body itself—will offer much greater control over the growth of cells, and so will expand the range of conditions that cell-based medicine can treat.

Despite its promise, type 2 regenerative medicine remains limited by the difficulty of isolating and activating adult stem cells. To repair some tissues for which bone marrow or other adult stem cells are inapplicable or unavailable, we may have to turn to a more powerful type of cell, the embryonic stem cell.



Embryonic Stem Cells

The third type of regenerative medicine, which will be distinct both from the use of human substances as drugs and from tissue engineering as described so far, does not yet exist. Yet the key discoveries that will enable it to develop have already been made, so it will arrive in due course—if society permits.

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The defining feature of type 3 regenerative medicine is embryonic stem cells, special cells obtained from very early-stage human embryos. These cells can develop into every major kind of cell in the body (more than 200 cell types exist in the body). They have already been coaxed into establishing cultures of many different kinds of potentially healing cells, including several types of nerve cells, heart muscle, skin cells, and certain immune-system cells. That virtuoso flexibility stands in contrast to the much more limited potential of most adult stem cells, which will probably be limited to only certain cell types.

Cultures of embryonic stem cells can be maintained for years, thus in principle overcoming the main obstacle slowing development of type 2 regenerative medicine—isolating and growing enough adult stem cells. Embryonic stem cells have extraordinary potential for repairing and regenerating damaged or worn-out organs.

Although mouse embryonic stem cells have long been known, the human version was found only in 1998. Which type of tissue these cells give rise to depends on which specific human substances they are exposed to as they grow. Researchers, however, have not yet established precisely how to make them turn efficiently and predictably into many of the specific cell types needed. This must be the key research goal for the future.

Embryonic stem cells have been used successfully to treat injury and illness in animals, including spinal cord injuries in rats. They have also shown promise treating rodents with conditions that mimic Alzheimer's disease and Parkinson's disease. Potential benefits are not restricted to the brain and nerve cells. Cells made from embryonic stem cells can survive in the pancreas and secrete insulin and even withstand attack by the mouse immune system well enough to reverse diabetes. Naturally, the hope is that the equivalent human cells will do the same for human patients.

Embryonic stem cells, like many adult stem cells, trigger an immune reaction when injected into an organism that is not a genetic match. Their use thus might depend, as a practical matter, on a powerful new biological technique known as nuclear transplantation, which was used in 1997 to produce Dolly, the cloned sheep.

Nuclear transplantation should in principle be able to produce early-stage embryos that are genetically identical to any patient's cell sample, thus eliminating the difficulty of obtaining genetically compatible cells. In cloning animals, the nucleus from one cell of the creature is removed and transferred to an egg of the same species from which the nucleus has been removed. An electric shock causes the egg to start developing into an early embryo. Implanted in a womb, the embryo will sometimes develop into a cloned offspring genetically identical to the animal that supplied the original nucleus. But if the objective is to derive stem cells, the cells are extracted from the very early-stage embryo, which is not implanted into a womb.

The Dolly experiment proved two important points. One was that we can "reprogram" an adult cell so that its descendants can turn into any other type of cell in the body. Dolly also showed that nuclear transplantation can rejuvenate aging cells, setting back their internal "clock" so that they act like young cells once again—a process that might be used to rejuvenate aging human cells.

The idea of exploiting rejuvenation in medicine is not as remote as it might at first appear. Bone marrow transplant recipients are routinely given cells from a much younger person, and the cells thrive. Type 3 regenerative medicine that uses nuclear transplantation to produce matched embryonic stem cells could become an important part of the medical scene.

However, it is uncertain whether society will fully assist research into embryonic stem cells and nuclear transplantation any time soon. The Bush administration has restricted federal support for research on embryonic stem cells to a small set of established cell lines, which may or may not be medically useful. Because nuclear transplantation could be used to make a copy of a human being, some people oppose any use of that technique, including the therapeutic, not reproductive, uses that the vast majority of scientists envision for it. The Bush administration has supported attempts to ban any use of nuclear transplantation to create tissues that match those of a patient. Unless these positions are reversed, the United States will fall behind the rest of the world in these exceptionally promising areas.

Opposition to using embryonic stem cells derives from their origin in embryos, which are destroyed as cells are retrieved. Yet at this early stage of development the microscopic human embryo, consisting of perhaps fewer than 100 cells, has no heart, no brain, and no nervous system to feel pain. In vitro fertilization programs produce—and dispose of—thousands of such embryos every year in excess of those that women can carry to term. Often donors would be willing to volunteer an embryo otherwise destined for disposal to supply stem cells for healing the sick.

Nuclear transplantation is likewise a technique that people ought to be able to choose. Current attempts to prevent nuclear transplantation to produce human embryonic stem cells are retarding the development of medicines that could greatly enhance the quality of life, or save the lives, of potentially millions of people.

Novel Materials

Rapid progress in materials science underlies type 4 regenerative medicine, in which novel materials engineered to atomic-scale precision will integrate seamlessly with our own cells. Functioning microscopic devices and other structures produced by atomic-scale engineering will be able to meld with the body without causing rejection. In becoming part of us, these creations will provide the aged and the sick with restored capabilities unthinkable with cells and human substances alone. Indeed, we can expect that they will surpass the body's natural capabilities. The implications of atomic-scale engineering, or nanotechnology, are far-reaching.

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Medical applications will boost regenerative medicine far beyond anything we can achieve today.

The field will take time to mature, but its earliest beginnings can already be discerned. Physicians commonly implant steel or plastic hip joints, synthetic heart valves, and dacron blood vessels. Thousands of people hear with artificial cochleas within their inner ears.

What sort of substance can be made to fuse with the body? The answer is surprisingly simple: any material that persists in the body and does not attract the attention of the immune system. That defensive system, composed of specialized blood cells as well as antibodies, will reject materials that it recognizes as chemically different from the body's natural components. Yet it will accept those that are chemically similar and will even accept some materials that do not resemble our components, provided they carry no chemical red flags to attract attention.

Devices and prostheses that can fuse with the body must be made of carefully selected materials. Experiments have identified several that are suitable, including certain minerals and the alloyed metals used in shoulder and hip replacements, as well as some plastic-like substances that eventually dissolve in the body, such as those used during surgery as temporary fastenings.

Recent achievements in micromechanical engineering, electronics, and materials science hold much promise for the future of implanted devices. For example, at the heart of spy satellites are coin-sized devices that contain more than a million individual detectors. In medical applications, they could be used, and are being tested, as artificial retinas.

Although society has been slow to put its best efforts into helping the disabled, new avenues appear promising. Researchers have amplified signals in the brains of patients and translated them into movements of a mechanical arm. This progress suggests that signals from a paralyzed patient's brain could, with appropriate feedback, achieve fine control over muscles, thereby bypassing injuries of the spinal cord.

It has been speculated that more refined implants could, in time, enhance our mental capacities. Prostheses that integrate with the nervous system might even bolster our memory and our analytical abilities. By connecting to external computers, such prostheses could fundamentally change our relationship to the material world. The ethical and philosophical implications of such changes are profound, although society has yet to pay much attention to such possibilities.

Given the advanced nature of such revolutionary technologies, it may be many years before prostheses engineered to atomic accuracy can take a crucial role in treating damage to the nervous system and other body systems. In the meantime, however, advances in atomic-scale engineering will accelerate type 2 and type 3 regenerative medicine.

From Regeneration to Rejuvenation

Chemical drugs have no effect on aging. Remarkably, however, regenerative medicines may very well be able to check the changes of aging. After all, they are the very substances and cells that steer our development and maintain and repair our bodies. They can stimulate the regrowth of aging tissues.

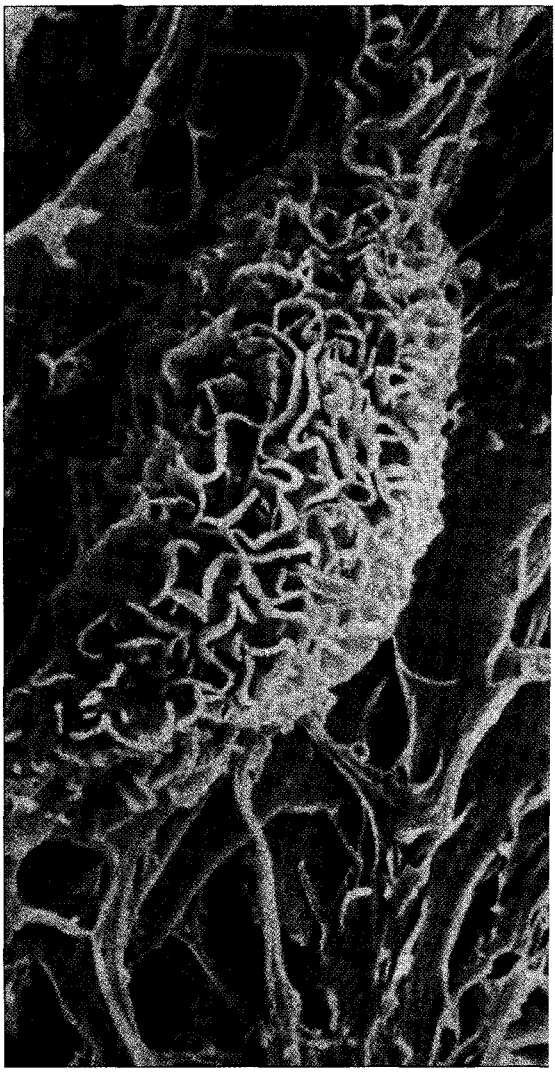
Regenerative medicine can already restore complex tissues. Repifermin, as noted, forms new skin. Recombinant human growth hormone promotes muscle growth. Drugs to regenerate skin and muscles could make an enormous difference to many of us as we age.

No single drug will treat all aspects of aging. But we can envisage a range of regenerative medicines for different symptoms. Human substances are now in testing for boosting the immune system, strengthening bones, repairing cartilage, and a variety of other purposes. As regenerative medicine advances, we will learn how to restore an ever-widening range of worn-out organs and tissues.

The choices society makes could speed—or slow—the arrival of these revolutionary therapies. Attempts to limit health care costs, in particular to contain the cost of pharmaceuticals, could strangle the emerging biotechnology industry, with disastrous effects for regenerative medicine.

Society faces difficult decisions about how to pay to translate advances in scientific knowledge into regenerative medicine. My own view is that we must move forward with maximum vigor to develop therapies that minimize human suffering. In the end, people will want to, and should be allowed to, make the choices that will give them happier, more productive, and longer lives.

Regenerative medicine may become the most powerful tool available to improve the human condition. Science has shown it can achieve the goal of using the body's own substances and cells to repair, restore, and rejuvenate it. Once society is fully aware of the staggering potential of regenerative medicine, it is unlikely to decline the promise that it offers. ■



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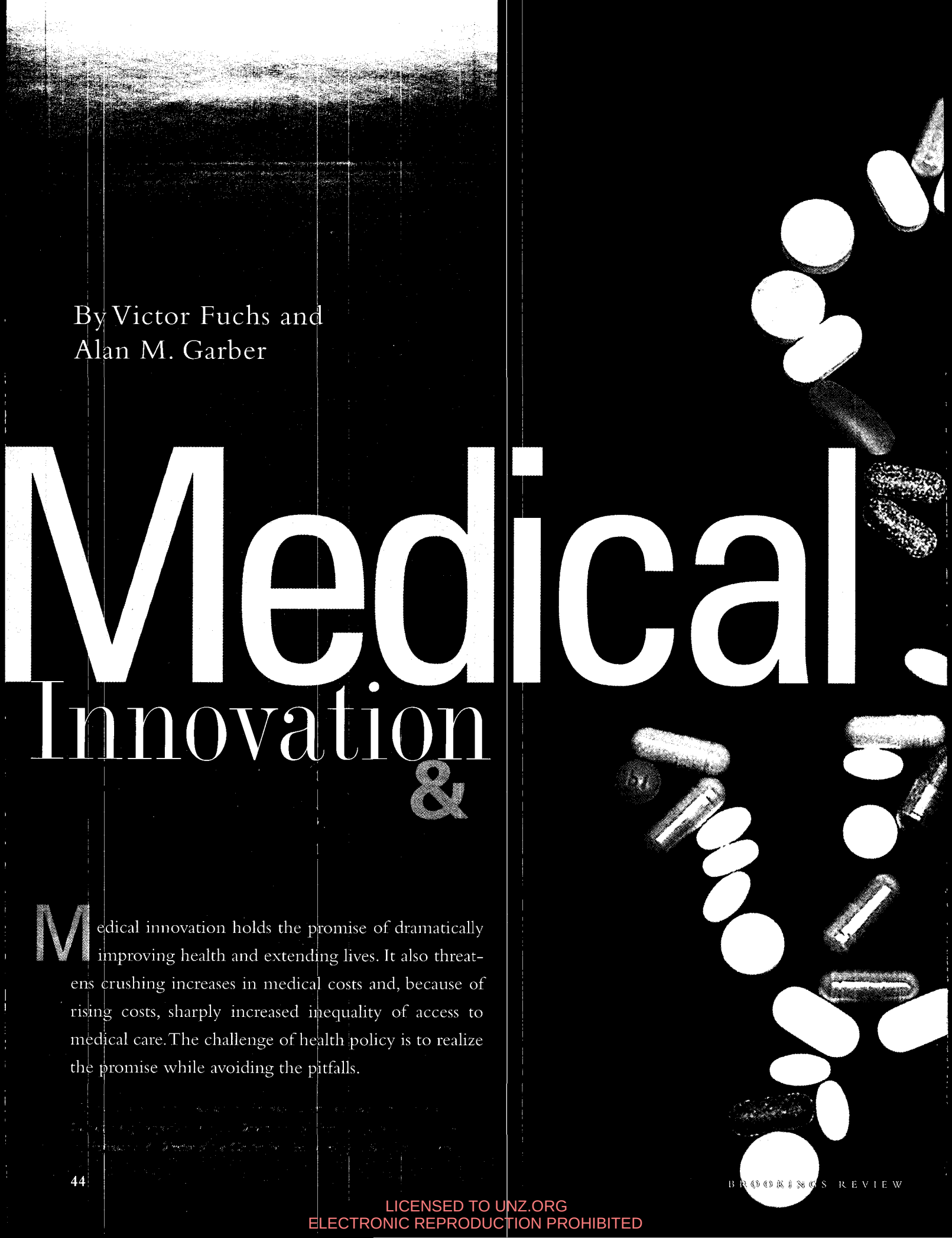
By Victor Fuchs and
Alan M. Garber

Medical Innovation &



Medical innovation holds the promise of dramatically improving health and extending lives. It also threatens crushing increases in medical costs and, because of rising costs, sharply increased inequality of access to medical care. The challenge of health policy is to realize the promise while avoiding the pitfalls.

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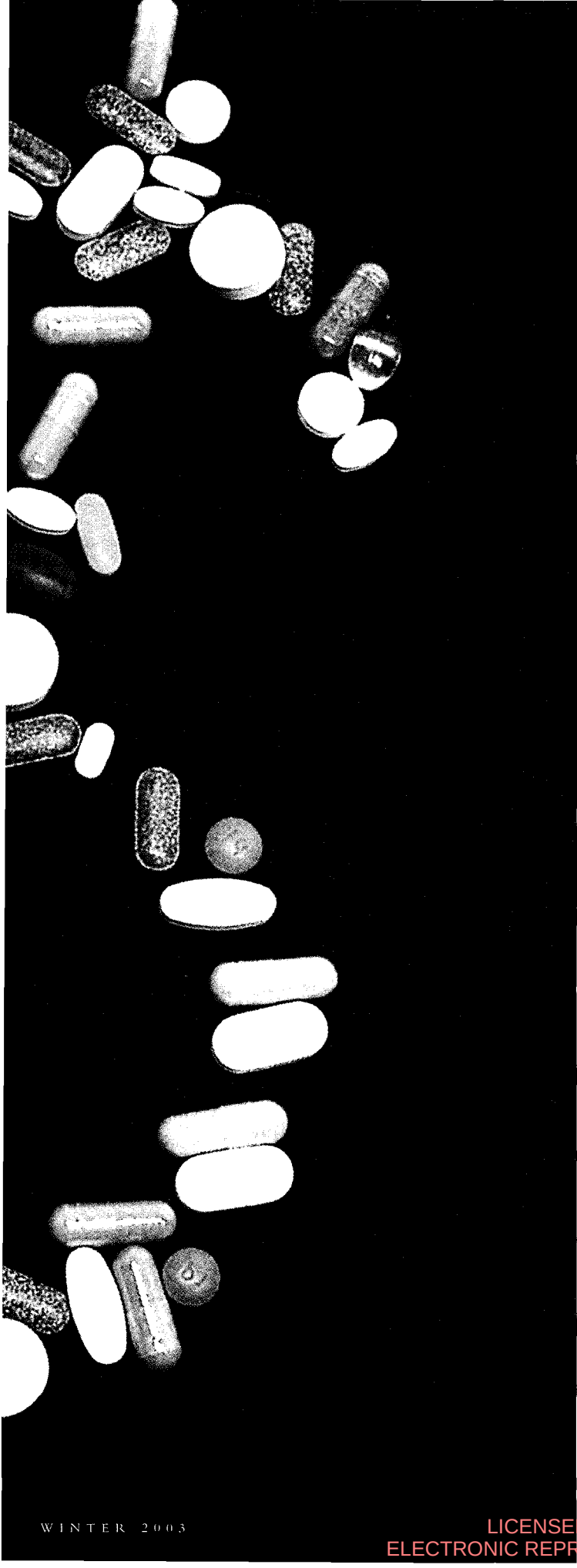

The second half of the 20th century witnessed spectacular advances in health care. Innovations such as magnetic resonance imaging, genetically engineered growth factors, and highly effective drugs for the treatment of depression, gastroesophageal reflux, high blood cholesterol, and HIV disease greatly improved the detection and treatment of both rare and common diseases. The advances greatly improved the outcomes of complex procedures such as organ transplantation, coronary artery bypass surgery, and high-dose chemotherapy (bone marrow transplantation) for acute myeloid leukemia and multiple myeloma. As the 21st century opens, technological progress in medicine is continuing and may be accelerating. It is a source of hope for the prevention, effective treatment, and cure of disease.

Technological innovation is also the major source of increases in real per capita medical spending in the United States. If medical advances continue to be adopted as rapidly as they have been, they will pose knotty economic, political, and ethical challenges for health care policy at a time when spending on health care in the United States has once again begun to surge after a mid-1990s pause and the number of Americans without health insurance has once again begun growing.

Innovation and Health Care Spending

Innovations can reduce spending on medical care, but most do not. One government agency attributes nearly all of the age- and price-adjusted growth in per capita medical spending in recent decades to technological innovation. Such innovations often have their greatest impact long after they are introduced, when patients who would have received an older, inexpensive treatment or none at all receive more, or more expensive, care. Such shifts typically occur when the use of a new drug, device, or operation spreads beyond the narrowly defined populations in which it was introduced. For example, middle-aged men with chronic stable angina pectoris were the first routine beneficiaries of coronary artery bypass graft surgery. With experience and incremental clinical innovations, however, the same procedure now benefits patients with other conditions, such as heart attacks, and other demographic groups, such the elderly, initially deemed unsuitable. Although these and other innovations in treating coronary disease may have raised expenditures per patient, they have reduced the price of achieving important health outcomes, such as surviving hospitalization.

The Interaction of Research and Health Care Finance

Federal support of biomedical research (more than $20 billion in fiscal year 2001 for the National Institutes of Health alone) and research investments by manufacturers and other private companies (billions more) stimulate the development of new technologies and approaches to health care, each of which has consequences for health expenditures and outcomes. For-profit corporations invest in research because they expect it to lead to the development of biomedical goods and services that will bring future revenues and profits.

U.S. health insurers directly invest little in biomedical

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research. But they have a powerful indirect effect on research investment because health insurance influences demand for and revenues from medical innovations. Because insured consumers pay only a fraction of the price of care, price is less important to them than are other characteristics of care, such as convenience, safety, and efficacy—that is, quality. Health insurance increases demand for health care generally, but its most important effect on health care spending may be through its long-term influence on the development of new forms of care. And health-insurance subsidized demand not only raises investment in medical research, but also changes the character of that investment, encouraging research on quality-improving innovations, rather than on cost-reducing ways to accomplish the same health outcomes as older interventions.

Imagine how the market for automobiles would have developed if a third party provided insurance that paid 80 percent of the cost of new cars. The third party recovers the cost of this insurance by taking a portion of each insured person's earnings. Apart from those without auto insurance, anyone who wanted an automobile could buy one at one-fifth of market price. Such insurance would influence both the number and the types of cars people bought. People would replace cars more often and would buy higher-quality cars than they do in today's car market. A Lincoln or a Mercedes would cost buyers little more than a Chevrolet or a Honda, and sales of luxury automobiles would rise. Auto manufacturers would focus their product development on quality enhancements, such as big engines and luxurious interiors, rather than on cost-reducing manufacturing changes. The quality-adjusted price of automobiles might fall, but because only high-quality cars would be sold, the average price of a car would rise. The costs of car insurance would rise inexorably. The well-insured might welcome the steady improvements in the quality of luxury cars, but many would have been better off with simpler automobiles and higher take-home pay.

There can be little doubt that high spending on health care has encouraged technological innovation that has dramatically improved the well-being of Americans. Most people with health insurance in the United States are surely better off with today's health care at today's prices than they would be if they had 1980 health care at 1980 prices. This observation, however, offers little guidance for policy. The appropriate question is whether Americans would be better off today with the medical technologies and health care system that would have resulted if the demand for medical care had been more strongly influenced by price and if biomedical research had been shaped by such a payment system. In that scenario, technological advance would have been different and probably somewhat slower, the price and total cost of health care would have been considerably lower, a larger share of Americans would have been able to afford health insurance, and consumption of other goods and services would have been higher. Overall, welfare might well have been higher.

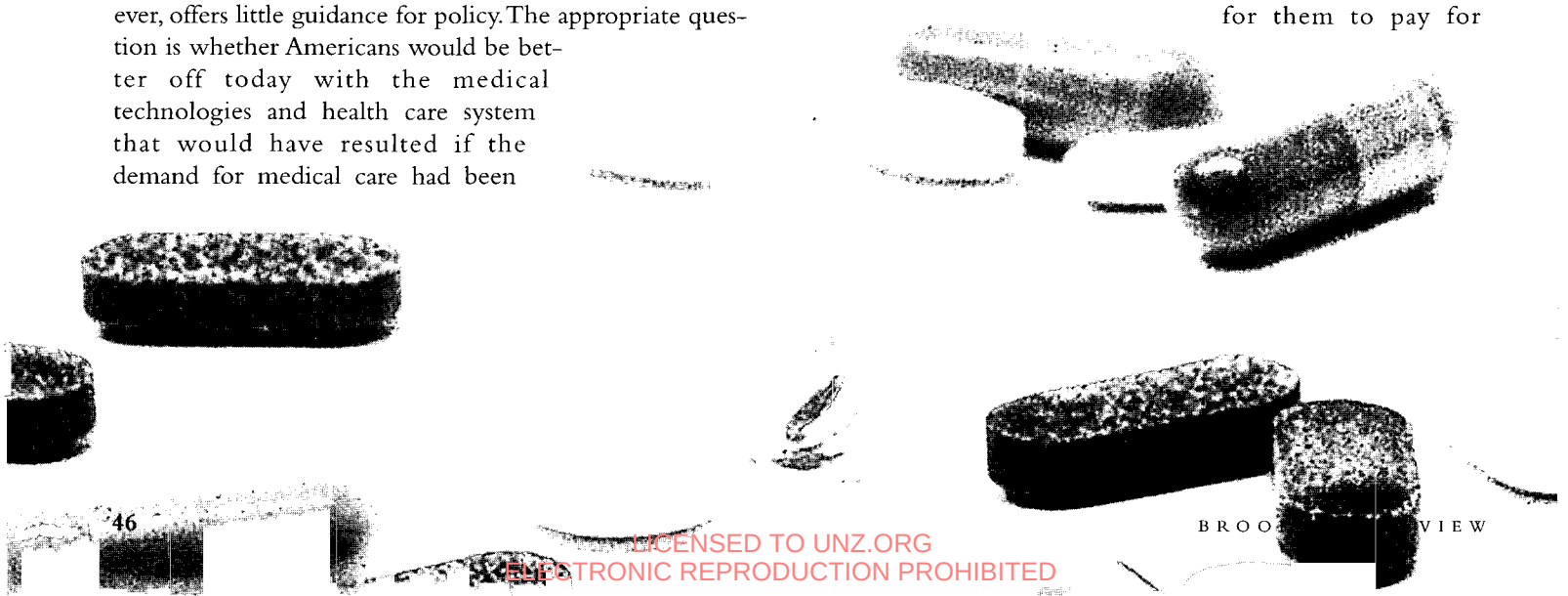
Averages versus Margins

Debates about technological progress in health care often confuse two distinct issues. One concerns the *average* improvement in health—are we better off today than in the past? The other concerns *marginal* improvement—if we spend more on health care, how much better off will we be? We believe that average improvements over time have been large but that marginal improvements from the last dollars we now spend are small. The progress medical science has made against coronary heart disease is striking, but it is not evidence that implanting a stent (a mesh tube, used to keep partially occluded arteries open) in patients with single-vessel, minimally symptomatic coronary disease is worth the cost. Most proposals for the reform of health care financing and delivery would alter spending and incentives at the margin. They should be evaluated on that basis.

A Dilemma: Making Innovation Affordable Slows Innovation

In the U.S. health care market, government regulation is pervasive, insurance subsidizes consumption, and producers enjoy monopoly power through patents or proprietary information. The goals of health care policy—to provide coverage for the currently uninsured, to hold down health care costs, and to promote innovation—are frequently in conflict.

The desirability of government intervention in the health care market is widely accepted. Government-granted patents, for example, protect manufacturers from competition for several years and allow them to recover development costs. Market exclusivity, maintained under government-granted patents or proprietary information, enables companies to charge higher prices, which make it possible for them to pay for



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research out of profits. Even classic monopoly pricing, under which all buyers are charged the same high price, might not be sufficient to ensure profits. Sometimes recovering research and development costs requires companies to engage in price discrimination, the practice of setting prices for different buyers according to their willingness to pay. Prices for drugs and medical devices, supported by subsidized demand, may bear little relation to the (often low) cost of production. The market price—the sum of the patient's copayment and insurance payment—for highly effective innovations with no close substitutes can be very high without seriously eroding demand. Since well-insured patients can pay a great deal, the interaction between insurance and patents on drugs and devices enables companies to make large profits on successful products. Prolonging patent lives and broadening patent protection extends barriers to competition and can greatly increase those profits. But both policies raise prices and thereby curb consumption. Narrowing or shortening patent protection lowers profits and boosts consumption.

This trade-off creates a dilemma. If promoting innovation were not a consideration, consumers would be better off if patents did not exist and any company was free to produce any product. Such a policy, however, would diminish the flow of new drugs and devices by removing much of the incentive to invest in research and development of new products.

The trade-off between maximizing the welfare of consumers today and promoting the future flow of new drugs is at the heart of most policy debates about pharmaceuticals. Policies that would lower drug prices—mandating drug discounts and controlling prices, for example—are worth pursuing only if the immediate benefit from lowering prices and making drugs more widely available today compensates for the harm from reducing the future flow of new products. Those who would maintain or extend current guarantees of market exclusivity and who favor policies to preserve high prices for branded drugs typically emphasize the importance of profits to fund the research that will lead to future products.

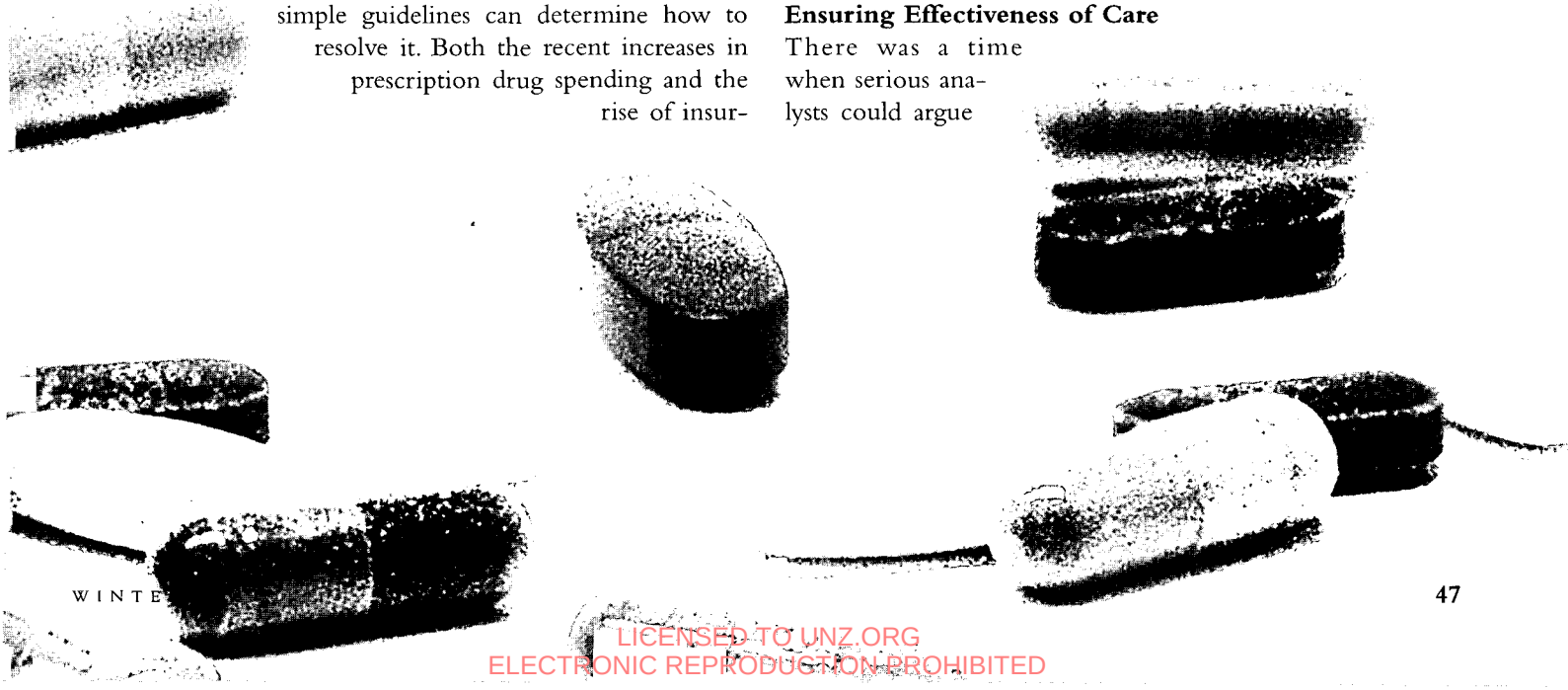
Recent and projected increases in drug prices heighten the salience of this trade-off. No simple guidelines can determine how to resolve it. Both the recent increases in prescription drug spending and the rise of insurance copayments for drugs are certain to make demand more sensitive to price. People with health insurance will pay a greater share of medication costs out-of-pocket, and the uninsured will pay the entire cost out-of-pocket. The increase in personal payments will tend to reduce consumption of prescription drugs, while the introduction of new drugs will increase consumption. Health plans and pharmaceutical benefits managers are also likely to try to hold down prices by negotiating price discounts from drug companies in return for policies that favor the products of those companies. Pharmaceutical companies will find it increasingly difficult to compete on quality alone, especially for drugs and devices that compete with similar products, as consumers themselves demand evidence of value before spending their own funds on health care.

Growth in the number and costs of beneficial drugs and devices is likely to cause political pressure to prevent or attenuate a widening disparity between people who are well insured or wealthy enough to afford innovations and those who are not. Medicine has a long and generally honorable history of price discrimination. Doctors have provided free or heavily discounted care to the needy, and drug companies have charged lower prices to those less able to pay full price. Many recent developments, however, seem to have made traditional price discrimination less feasible. Thinner margins on commercial health insurance contracts have made hospitals less willing and able to provide free or heavily subsidized care. With the rise of bulk purchasing by health plans and pharmacy benefits managers, fewer purchasers have truly price-inelastic demand for pharmaceutical products. Paradoxically, it is the solitary uninsured buyer who must pay undiscounted prices for drugs or for health care.

Current research in genomics is expected to lead to highly effective but expensive therapies. Without a dramatic change in health care financing, only the wealthy and well-insured will be able to afford such innovations when they are first introduced. As the number of health care have-nots grows, the pressure for comprehensive health care reform may increase.

Ensuring Effectiveness of Care

There was a time when serious analysts could argue



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that "all medical care that is effective should be free to all." No country can follow that precept today. Eliminating ineffective care, according to some policy advocates, is key to reducing health expenditures. Yet even if ineffective care is readily eliminated, the continued introduction of effective new forms of medical care will guarantee continued growth in spending. The chief problems facing the U.S. health care system today are setting priorities for choosing among effective forms of care and finding the means to pay for such care.

How can the most promising medical advances be developed and made widely available? The first step will be identifying those that are most promising. The Food and Drug Administration evaluates the safety and efficacy of new interventions, but not their effectiveness in alternative clinical settings or their cost implications. Today such information, when available at all, is often fragmentary. Several organizations—the Evidence-Based Practice Centers of the Agency for Healthcare Research and Quality, the Cochrane Collaborative, the Blue Cross-Blue Shield Association, Kaiser-Permanente and other health plans, and some large provider groups—assess medical technologies. The heavy preponderance of private-sector efforts is less a sign of thriving private initiative than of inadequate government funding. Although these efforts produce a great deal of reliable information about the effectiveness and value of new medical technologies, the information is neither comprehensive nor readily accessible to the public. There is a compelling need for a large, independent agency to carry out technology assessment in health care. A new center for assessing new and existing technologies could help physicians, hospital administrators, private insurance companies, government agencies, and the public distinguish the truly valuable innovations from those that provide small or no benefit at great cost.

We recommend creating a National Center for the Assessment of Medical Technologies, with an annual budget of $1 billion, financed by a small levy (less than one-tenth of 1 percent) on all health care spending. The National Center would sponsor and conduct research and serve as a repository for diverse data and health information. It would help develop and disseminate systematic knowledge about the effectiveness and value of medical technologies, providing the information that health care providers and patients need to make decisions about when to use both new and established technologies.

The source of funding for the center is critical. There is little chance that such a center could be financed through private, voluntary contributions. The temptation for individual firms and organizations to "free ride" on the contributions of others would be too great. On the other hand, a conventional government agency, subject to the vagaries of annual appropriations and vulnerable to political pressures whenever research results ran contrary to the interests of powerful political constituencies, would lack the independence essential for its dual missions—that is, to develop and disseminate systematic knowledge about the value of medical technologies and, through credible evaluations, confer legitimacy on the efficient delivery of care.

Sometimes the most important contributions of scientific advances are not embodied in treatments and diagnostic procedures. Scientific advances can lead to new insights into the best ways to use existing technologies—or to modify behaviors—to improve health. A particular genetic variant associated with a disease like rheumatoid arthritis, for example, might trigger disease only in people exposed to high levels of certain amino acids. The best preventive might be dietary restrictions rather than gene therapy or a targeted drug. Because most diseases result from an interaction of genes and the environment, there will usually be multiple potential targets for intervention. The best approach should be determined by considering both the effectiveness and the cost of all promising alternatives, whether it is modifying a gene or its products or something as simple as a change in diet or an exercise regimen.

Because the gene-environmental interactions that seem to underlie much chronic disease are difficult to study, particularly when multiple genes contribute to the risk of disease, discovering the best approach to treatment will often be expensive. A pharmaceutical or device manufacturer might readily support research on the effectiveness of its product, whether the motivation is a regulatory requirement or simply an opportunity to demonstrate that its treatment is best. But there is no similar payoff from research on nonmedical approaches to disease prevention or even to research on the effects of generic drugs. Without a profit incentive, investigating the interactions between genes and the nonmedical determinants of health will require public support from government and private foundations.

The Challenges Ahead

Identifying the best approaches to care is a necessary first step, but this information must be used to be effective. The next step is to find ways to pay for effective care. Even with improved information about new technologies, the combination of medical innovation and the aging of the baby boomers will almost surely lead to further increases in health care spending. In the coming decade, people will pay a larger share of health care bills in the form of higher insurance premiums and especially more out-of-pocket payments. The higher out-of-pocket payments will encourage people to use the forms of care that they believe to represent the best value, but this trend will also widen inequality in the use of health care.

A thoughtful response to rising inequality will not simply strive to equalize use. Some forms of care are more important than others. The societal interest in equal access to interventions that substantially reduce mortality or prevent disability is much greater than it is for marginally effective interventions. Furthermore, access to medical care must be balanced against other societal needs, including support for the poor, education, housing, and public safety.

We face a world of medical opportunity and challenge. In the coming decade, dilemmas posed by the health care system will test our values, our institutions, and our ability to apply rationality and compassion to intractable problems—not to solve them, but to do better than we now do. ■

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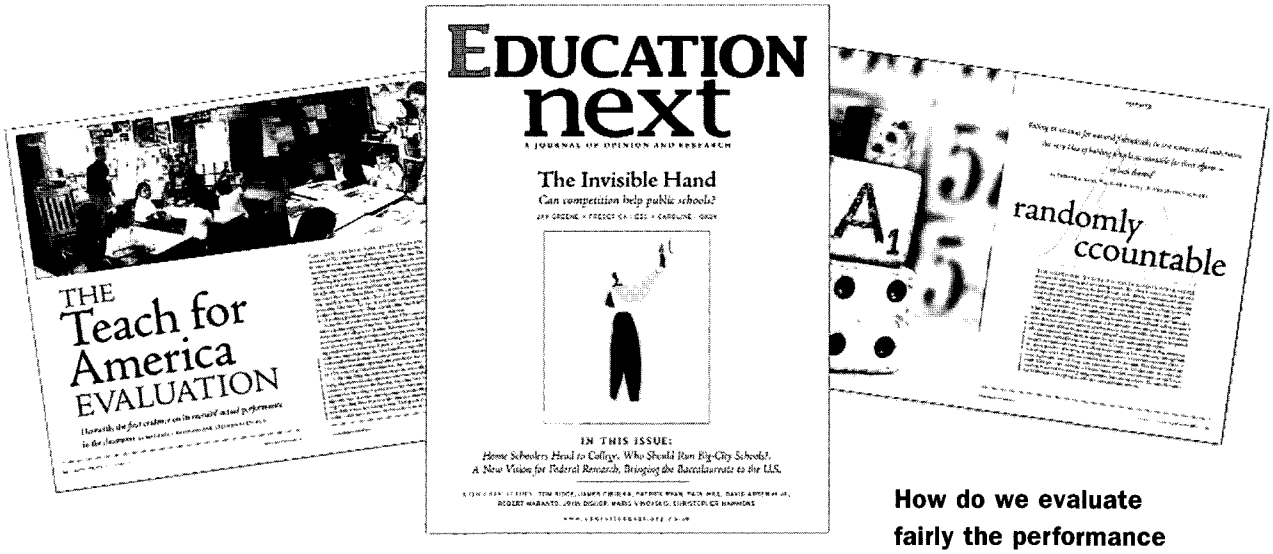

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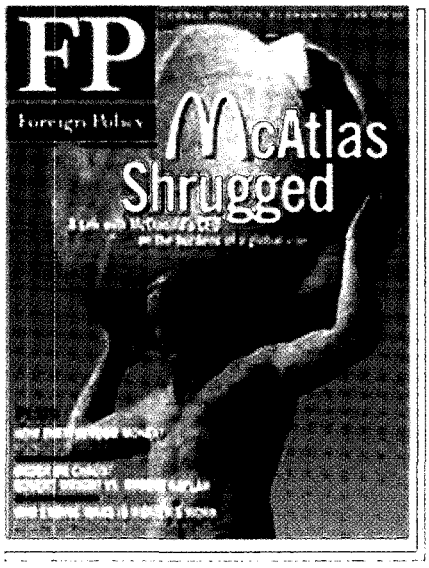

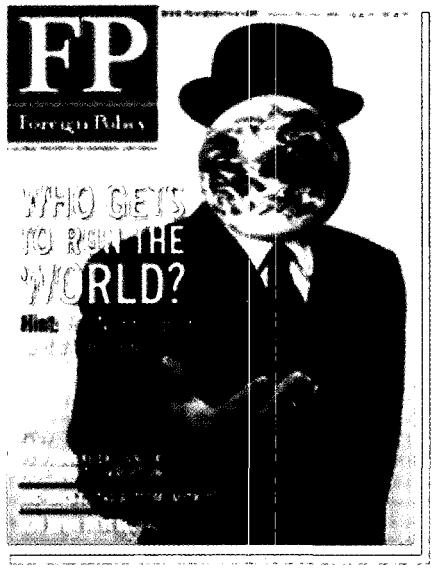

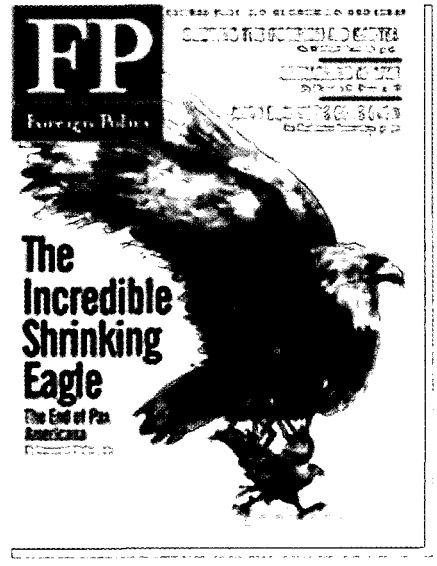

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